

2020

## Haute Couture's Paper Shield: The Madrid Protocol and the Absence of International Trademark Enforcement Mechanisms

Zachary Shufro

Follow this and additional works at: <https://scholarship.law.unc.edu/ncilj>



Part of the [Law Commons](#)

### Recommended Citation

Zachary Shufro, *Haute Couture's Paper Shield: The Madrid Protocol and the Absence of International Trademark Enforcement Mechanisms*, 45 N.C. J. INT'L L. 645 (2020).

Available at: <https://scholarship.law.unc.edu/ncilj/vol45/iss3/4>

This Article is brought to you for free and open access by Carolina Law Scholarship Repository. It has been accepted for inclusion in North Carolina Journal of International Law by an authorized editor of Carolina Law Scholarship Repository. For more information, please contact [law\\_repository@unc.edu](mailto:law_repository@unc.edu).

# Haute Couture’s Paper Shield: The Madrid Protocol and the Absence of International Trademark Enforcement Mechanisms

*Zachary Shufro†*

|      |  |     |
|------|--|-----|
| I.   | Introduction .....                                     | 646 |
| II.  | Defining Trademarks in Context .....                   | 649 |
|      | A. Trademark Law’s History .....                       | 651 |
|      | B. Theories and Definitions .....                      | 652 |
|      | 1. Likelihood of Confusion .....                       | 653 |
|      | 2. Dilution .....                                      | 656 |
|      | 3. Trade Dress .....                                   | 658 |
| III. | International Trademark Framework .....                | 659 |
|      | A. Early International Treaties .....                  | 660 |
|      | B. The New Intellectual Property Order .....           | 663 |
| IV.  | Fashion’s Trademark Woes .....                         | 665 |
|      | A. Trademark Squatting: The Hermès Example .....       | 666 |
|      | B. Burberry’s Challenges in China .....                | 668 |
|      | C. Chanel & the Double C .....                         | 669 |
|      | D. Louis Vuitton & Generic Marks .....                 | 671 |
|      | E. Adidas & the Three Stripes .....                    | 673 |
|      | F. Louboutin: A Tale of Two Standards .....            | 675 |
| V.   | “Gray Market” Sales .....                              | 677 |
|      | A. American Law .....                                  | 679 |
|      | 1. The <i>Lever</i> Rule .....                         | 680 |
|      | 2. Remedies Offered by U.S. Law .....                  | 681 |
|      | 3. Unresolved Legal Issues .....                       | 683 |
|      | B. British & European Union Law .....                  | 685 |
|      | C. Chinese Law & the Laws of Other Jurisdictions ..... | 687 |
| VI.  | Fakes & Confusion Risks .....                          | 687 |

---

† J.D. 2020, University of North Carolina School of Law; LL.M. Candidate 2021, New York University School of Law. Symposium Editor, *North Carolina Journal of International Law*. The Author thanks Alyssa Wright, Chandler Martin, Chelsea Pieroni, Professor Deborah Gerhardt, and Professor John Conley for their assistance, feedback, and revisions in the writing of this Article. The Author further thanks Julie Zerbo, whose legal reporting inspired the topic for this Article, and for whose extremely precise, thoughtful, and lightning-speed revisions the Author is extremely grateful.

|  |     |
|--|-----|
| A. Trade Dress Infringement Worldwide .....                        | 689 |
| 1. Loius Vuitton & Plada .....                                     | 690 |
| B. "Legal" Fakes.....  | 692 |
| 1. Supreme v. Supreme Italia .....                                 | 695 |
| VII. Recommendations .....   | 698 |
| A. Option I: Cooperation with the World Trade<br>Organization..... | 700 |
| B. Option II: Broad-Jurisdiction WIPO Dispute<br>Resolution .....  | 704 |
| C. Further Considerations.....                                     | 705 |
| VIII. Conclusion .....   | 707 |

## I. Introduction

Burberry's Haymarket Check tartan. Louis Vuitton's Damier check. Louboutin's red soles. In the past decade, many prominent fashion houses have suffered losses in particularly high-profile trademark disputes that highlight their lack of protection under the current international trademark regime.<sup>1</sup> Courts in Asia, Europe, and North America have limited, modified, and revoked long-established and internationally-recognized trademarks, while providing little to no clarity for how these domestic judgments correspond to or modify international obligations.<sup>2</sup>

Trademark law occupies a precarious role internationally. As one of the three main species—or types—of intellectual property, trademark's existence is recognized worldwide and is enshrined in

---

<sup>1</sup> See, e.g., Charlotte Alter, *Burberry's Signature Design Copyright Reportedly Revoked in China*, TIME (Nov. 27, 2013), <https://business.time.com/2013/11/27/burberrys-signature-design-copyright-revoked-in-china/> [<https://perma.cc/VXD3-JZ2T>]; Lauren D. Amendolara, *Knocking Out Knock-Offs: Effectuating the Criminalization of Trafficking in Counterfeit Goods*, 150 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 789, 809 (2015) [hereinafter Amendolara]; Julie Zerbo, *Adidas Handed a Loss, as 3-Stripe Mark "Lacks Distinctiveness" in the European Union, Says Court*, THE FASHION LAW (June 19, 2019), <https://www.thefashionlaw.com/home/adidas-handed-a-loss-as-3-stripe-mark-lacks-distinctiveness-in-the-european-union-says-court> [<https://perma.cc/4JYZ-KN8R>] [hereinafter Zerbo, *Adidas Handed a Loss*]; Julie Zerbo, *Burberry Loses Trademark Rights in China*, THE FASHION LAW (Nov. 25, 2013), <https://www.thefashionlaw.com/home/burberry-loses-trademark-rights-in-china> [<https://perma.cc/B9JL-PLAW>] [hereinafter Zerbo, *Burberry Loses Trademark*].

<sup>2</sup> See, e.g., *Adidas Am., Inc. v. Payless Shoesource, Inc.*, 529 F. Supp. 2d 1215, 1222 (D. Or. 2007); *Louis Vuitton Malletier v. Office for Harmonisation in the Internal Market ex rel Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG*, 2015 E.C.R. I-215, ¶ 1; Zerbo, *Burberry Loses Trademark*, *supra* note 1.

treaties and conventions dating back to the nineteenth century.<sup>3</sup> Common law precedent on trademarks arrived in the Americas before the arrival of the Mayflower, as “[h]istory has generally honored *Southern v. How*, decided in 1618, as the first reported trademark case in Anglo-American law.”<sup>4</sup> Its international recognition notwithstanding, trademark is the most vulnerable form of intellectual property in domestic and international spheres. Trademarks are registered nationally and internationally, but trademark holders can lose their exclusive right to use and police unauthorized uses through abandonment, failure to register or to re-register with national and international authorities, or through adverse legal proceedings. In international commerce, the rights of a trademark holder, how those rights are earned, and how they are enforced can vary significantly from country to country.<sup>5</sup> Most countries rely on a “first use in commerce” trademark system,<sup>6</sup>

---

<sup>3</sup> See, e.g., Sidney Diamond, *The Historical Development of Trademarks*, 65 TMR 265, 267 (1975) [hereinafter Diamond] (outlining the history of trademark protection from prehistory through the twentieth century).

<sup>4</sup> Keith Stolte, *How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum*, 8 FORDHAM INTELL. PROP., MEDIA & ENT. L. J. 505, 507 (1997). While *Southern v. How*, *Popham's Reports* 143 (1618), 79 Eng. Rep. 1243 (K.B. 1907), is traditionally considered the earliest reported trademark case, research in the 1990s uncovered an even earlier trademark case—the 1584 *Sandforth's Case*. *Id.* at 505–06. See also *Sandforth's Case*, *Cory's Entries*, British Library MS. Hargrave 123, fo. 168r (1584).

<sup>5</sup> For an example of the degree to which rights might vary by jurisdiction, see generally Julie Zerbo, *What's In a Name? Chanel's Global Quest to Protect the Name of a Color*, THE FASHION LAW (May 30, 2019), <https://www.thefashionlaw.com/home/whats-in-a-name-channels-global-quest-to-protect-the-name-of-a-color> [https://perma.cc/U7SU-DF53]. In 2008, Chanel “filed an application for registration for the word ‘Beige’ in connection with its perfume of the same name.” *Id.* This registration was approved, and added to the United States Patent and Trademark Office (“USPTO”) Principal Register. *Id.* However, the Israeli Registrar of Patents, Designs and Trademarks rejected an identical registration in 2019. *Id.* As commentator Julie Zerbo explains:

The loss in Israel comes on the heels of Chanel's domestic struggle to register “Beige Label” for use on garments, handbags, jewelry, footwear, and eyewear almost two decades ago, only to be refused by the U.S. Patent and Trademark Office on similar descriptiveness (and thus, failure to function as a trademark) grounds, despite previously being granted a registration for the same mark in connection with the same goods in France.

*Id.* As this commentator's discussion of this rejection concludes, “The differences in a party's rights among various jurisdictions is in line with the territorial nature of trademark law.” *Id.*

<sup>6</sup> The United States is one such country. See 15 U.S.C. § 1051(d) (2018).

while others grant the exclusive rights to the first party to register his or her mark with the relevant trademark body.<sup>7</sup> While there are several international treaties governing the registration of international trademarks, international agreements lack any real enforcement mechanisms. Treaties governing international trademark law instead rely on the power of national courts to manage trademark-related litigation domestically.<sup>8</sup> This Article examines the shortcomings of trademark enforcement and the international trademark registration system of the Madrid Protocol,<sup>9</sup> particularly within the fashion industry,<sup>10</sup> and suggests two possible ways to cure this inadequacy. Further considerations involving issues in counterfeiting, dilution, and trade dress infringement are also taken into account.

Analysis proceeds in eight parts. Part II presents a brief history

---

<sup>7</sup> China is the largest of the first-to-file countries. Jessica Martin, *Two Steps Forward, One Step Back: A Need for China to Further Amend Its 2013 Trademark Law in Order to Prevent Trademark Squatting*, 42 BROOK. J. INT'L L. 993, 1004 (2017) (explaining that Chinese trademark law “is based upon a first-to-file system” that grants “trademark right to the first party who files the trademark application, without requiring evidence of its use in commerce.”) [hereinafter Martin].

<sup>8</sup> See, e.g., Madrid Agreement Concerning the International Registration of Marks art. 4(1), Apr. 14, 1891, 828 U.N.T.S. 389 [hereinafter Madrid Agreement] (“[T]he protection of the mark in each of the contracting countries shall be the same as if the mark had been filed therein direct.”). See also Paris Convention for the Protection of Industrial Property art. 6bis, Mar. 20, 1883, 828 U.N.T.S. 305 [hereinafter Paris Convention] (“The countries of the Union undertake, ex officio . . . to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered . . . to be well known.”); Agreement on Trade-Related Aspects of Intellectual Property Rights pmbl., Apr. 15, 1994, 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement].

<sup>9</sup> Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989, W.I.P.O. Pub. No. 207E/20 (2020) [hereinafter Madrid Protocol]. The United States incorporated the Protocol into domestic trademark law as 15 U.S.C. §§ 1141–1141n (2006).

<sup>10</sup> Luxury goods, and particularly the fashion industry, are the focus of this Article for two reasons. First, as explained below, the fashion industry particularly relies upon trademark protection, see *infra* Part III. Second, the international intellectual property regime currently in existence disproportionately benefits, and in many ways was created to help maintain the status and prestige of, companies specializing in luxury goods. See generally Barton Beebe, *Introduction*, in THE LUXURY ECONOMY & INTELLECTUAL PROPERTY: CRITICAL REFLECTIONS (Haochen Sun et al. eds., 1st ed. 2015). See also Yi Quan, *The Economics of Demand for Counterfeiting*, in THE LUXURY ECONOMY & INTELLECTUAL PROPERTY: CRITICAL REFLECTIONS (Haochen Sun et al. eds., 1st ed. 2015); Barton Beebe, *Shanzhai, Sumptuary Law, & Intellectual Property Law in Contemporary China*, 47 U.C. DAVIS L. REV. 849 (2014).

of trademark law and defines the key concepts that trademark law addresses. Part III lays out the treaties that created the foundations of international trademark law and outlines the weaknesses of the Madrid Protocol system. Part IV surveys direct challenges to famous trademarks faced by the fashion industry in the past decade through case examples in China, the European Union, and the United States. Part V explores the existence of “gray market” sales of luxury goods in international commerce, and how this phenomenon exacerbates the difficulties inherent to the fight against counterfeit goods and trademark infringement. Part VI analyzes the role of trade dress infringement of well-known brands in the international fashion market, and reviews threats to well-known trademarks posed by so-called “legal” fakes. Finally, Part VII examines two potential remedies for the currently insufficient enforcement of international trademarks under the Madrid Protocol. Part VIII concludes.

## II. Defining Trademarks in Context

A trademark is a mark, name, or design used by an individual or company in commerce to identify the products they produce or the services they provide.<sup>11</sup> Four out of every five brands fail within their first year.<sup>12</sup> However, to put a new twist on Tolstoy, failed brands are all alike; every successful brand has protected its intellectual property.<sup>13</sup> In the United States, the Lanham Act of 1946 governs federal trademark law, which defines a trademark as “any word, name, symbol or device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”<sup>14</sup> Trademarks can be recognized federally or at the state level by

---

<sup>11</sup> See 15 U.S.C. § 1127 (2018).

<sup>12</sup> See, e.g., Keith Speights, *Success Rates: What Percentage of Businesses Fail in Their First Year?*, USA TODAY (May 21, 2017), <https://www.usatoday.com/story/money/business/small-business-central/2017/05/21/what-percentage-of-businesses-fail-in-their-first-year/101260716/> [<https://perma.cc/838E-4F9A>].

<sup>13</sup> See *id.* Cf. LEV NIKOLAYEVICH TOLSTOY, *ANNA KARENINA* 1 (Richard Pevear & Larissa Volokhonsky, transl. 1st ed. 2004) (“All happy families are alike; each unhappy family is unhappy in its own way.”).

<sup>14</sup> 15 U.S.C. § 1127 (2018).

common law rights created through use in commerce;<sup>15</sup> they can take the form of words,<sup>16</sup> colors,<sup>17</sup> designs,<sup>18</sup> sounds,<sup>19</sup> and even scents.<sup>20</sup> In the United States and similar foreign trademark systems, there are significant benefits to federal and national registration, such as constructive nationwide priority of use<sup>21</sup> and the right to register one's mark with U.S. Customs and Border Protection to assist customs officials in preventing the importation of counterfeit goods or goods bearing infringing trademarks.<sup>22</sup>

---

<sup>15</sup> See *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 144–45 (2015) (“The owner of a mark, whether registered or not, can bring suit in federal court if another is using a mark that too closely resembles the plaintiff’s [mark]. The court must decide whether the defendant’s use of a mark in commerce ‘is likely to cause confusion, or to cause mistake, or to deceive’ with regards to the plaintiff’s mark.”). See also 15 U.S.C. § 1114(1)(a) (2018) (registered marks); 15 U.S.C. § 1125(a)(1)(A) (2018) (unregistered marks).

<sup>16</sup> See, e.g., *HERMÈS*, Registration No. 4,278,653. However, the word or words claimed in a trademark may not be generic—that is to say, they must be sufficiently distinctive as to identify the source of the goods or services provided. For a discussion of genericness and trademark law, see Chandler N. Martin, *A Comic-Con by Any Other Name*, 97 N.C. L. REV. ADDENDUM 43, 46–48 (2019) (explaining the concept of genericness and the defense of genericness ab initio).

<sup>17</sup> See, e.g., *TIFFANY BLUE* [Pantone 1837], Registration No. 4,804,204. Traditionally, color trademarks have relied heavily on a showing of secondary meaning in order to proceed to registration. See *Wal-Mart Stores v. Samara Bros., Inc.*, 529 U.S. 205, 211 (2000). However, recent precedent from the United States Court of Appeals for the Federal Circuit suggests that in some circumstances, color trademarks *can* be inherently distinctive and bypass a requirement of showing secondary meaning. See *In re Forney Indus., Inc.*, Appeal No. 20191-1073, 2020 WL 1696314, at \*4 (Fed. Cir. Apr. 8, 2020).

<sup>18</sup> See, e.g., *LV*, Registration No. 297,594 (Louis Vuitton Monogram).

<sup>19</sup> See, e.g., *MARK COMPRISING OF THE MUSICAL NOTES G, E, C, PLAYED ON CHIMES*, Registration No. 916,522 (NBC Universal Media Chimes); *YOU’VE GOT MAIL*, Registration No. 2,821,863 (America Online message notification). Sound trademarks are very rare—of the “more than 2.6 million active trademark registrations in the United States[,]” less than 240 are sounds trademarks, and “about 36 are of familiar sounds[.]” Justin F. McNaughton et al., *Eeeeeeyooooo! Reflections on Protecting Pitbull’s Famous Grito*, 9 N.Y.U J. INTELL. PROP. & ENT. L. 179, 186 (2020). For a discussion of the difficulties involved in protecting such marks, see *id.* at 184–88.

<sup>20</sup> See, e.g., *NON-VISUAL PLAY-DOH SCENT MARK*, Registration No. 5,467,089.

<sup>21</sup> See, e.g., 15 U.S.C. § 1057(c) (2018) (“Contingent on the registration of a mark on the principal register provided by this chapter, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration.”).

<sup>22</sup> See, e.g., 15 U.S.C. § 1124 (2018) (“[N]o article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader,

### A. Trademark Law's History

Trademarks have existed for over four thousand years.<sup>23</sup> The ancient Egyptians branded their livestock; the Mesopotamians marked their bricks in buildings; Chinese porcelain dated to as early as 57 B.C. contains “an indication of the place of manufacture or of the destination specified for the particular piece.”<sup>24</sup> Despite some fluctuation over time, trademark usage continued to be widespread through the Middle Ages. By the early Renaissance, “the use of marks proliferated to such an extent that it [became] possible to identify various types” of marks, including personal, familial, proprietary, and geographic marks.<sup>25</sup> Common law trademarks have endured since the thirteenth century, along with corresponding laws designed to prevent infringement and stipulating penalties for infringing conduct.<sup>26</sup> English laws protected the marks of, *inter alia*, bakers, goldsmiths, and silversmiths; French, Italian, Scottish, and Polish laws required weapon makers to mark their products.<sup>27</sup>

Penalties ranged from ten pounds per act of infringement in 1282 A.D. Parma, to orders enjoining the infringement of an artist's monogram in 1512 A.D. Nuremberg, to mutilation and capital punishment for trademark infringement in France and the

---

or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States.”). However, these protections only apply to trademarks registered on the USPTO's Principal Register and do not apply to marks registered on the USPTO Supplemental Register. See *Record Trademarks With Customs and Border Protection (CBP)*, U.S. PATENT & TRADEMARK OFFICE (Jan. 25, 2020, 10:50 AM), <https://www.uspto.gov/trademark/trademark-updates-and-announcements/record-trademarks-customs-and-border-protection-cbp> [<https://perma.cc/MW5L-7472>].

<sup>23</sup> See, e.g., David D. Mouery, Comment, *Trademark and the Bottom Line: Coke Is It!*, 2 BARRY L. REV. 107, 111 (2001) (“Merchants of the early trading empires of China, Egypt, Greece, India, Persia, and Rome began to ‘mark’ their merchandise in order to identify the maker of the good.”).

<sup>24</sup> Diamond, *supra* note 3, at 267.

<sup>25</sup> *Id.* at 272–74.

<sup>26</sup> *Id.* at 277.

<sup>27</sup> *Id.* at 277–79.



Palatinate.<sup>28</sup> With the start of the Industrial Revolution “came the increased use of trademarks in their modern function as identifiers of the source of the goods.”<sup>29</sup> In Anglo-American jurisprudence, modern trademarks are of relatively recent vintage: “[t]he beginning of legal protection for trademarks as such generally is traced to a 1783 dictum in an English case, stating that an action for damages would lie based upon fraud[,]” though “[t]he first record of an injunction against trademark infringement is an English case decided in 1838.”<sup>30</sup>

### *B. Theories and Definitions*

Trademarks function primarily as identifiers of source for goods and services.<sup>31</sup> In Anglo-American law, trademark strength, i.e., “[d]istinctiveness[,] is an important part of trademark protection” because it “ensures [that] the public can clearly identify a source of goods”<sup>32</sup> in connection with each individual mark. To that end, the test a court employs to determine if trademark infringement has occurred is relatively straightforward: a trademark-holder “has a civil action against anyone employing an imitation of [the mark] in commerce when ‘such use is likely to cause confusion, or to cause mistake, or to deceive.’”<sup>33</sup> To prove infringement, the plaintiff “must show that: (1) [he or she] has a valid, protectible trademark, and (2) that [the defendant’s] use of the mark is likely to cause confusion[]” as to the source of the goods or services with which the mark is associated.<sup>34</sup>

<sup>28</sup> *Id.* at 279–80. Indeed, the Renaissance artist Albrecht Dürer was among those who prevailed in an infringement suit throughout trademark’s long legal history, winning a case in 1512 against the Italian engraver Marcantonio Raimondi. *See id.*; *see also* GIORGIO VASARI, *LIVES OF THE ARTISTS* § III.42 *Marcantonio Raimondi* (Gaston C. du Vere transl., 2016).

<sup>29</sup> Diamond, *supra* note 3, at 280–82 (listing Sèvres and Meissen porcelain, pewter and silver goods, and French silks as regularly trademarked items).

<sup>30</sup> *Id.* at 287–88. These cases are *Singleton v. Bolton*, 3 Doug 293 (1783) and *Millington v. Fox*, 3 Myl & Cr 338 (1838).

<sup>31</sup> Ashlyn Calhoun, “*It All Started With a Mouse*”: *Resolving International Trademark Disputes Using Arbitration*, 2018 J. DISPUTE RES. 87, 88 (2018).

<sup>32</sup> *Id.*

<sup>33</sup> *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (quoting 15 U.S.C. § 1114(1)(a)).

<sup>34</sup> *Applied Info. Scis. Corp. v. eBay, Inc.* 511 F.3d 966, 969 (9th Cir. 2007). *See also* *Rosetta Stone v. Google*, 676 F.3d 144, 152 (4th Cir. 2012) (citing 15 U.S.C. § 1114(a)) (“To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1)

There are two primary policy purposes behind trademark law: first, the prevention of consumer confusion; and second, the protection of “the goodwill of the trademark owner.”<sup>35</sup> Before presenting an analysis of the international trademark system, this Part discusses three theories that serve the two policy goals of trademark law: (1) likelihood of confusion, which prevents consumer confusion as to the source of a good or service; (2) dilution, which seeks to preserve brand goodwill; and (3) trade dress, which protects the total look and feel of a brand’s public image. While all of the definitions presented below rely on Anglo-American jurisprudence, these terms are generally equivalent to similar terms in other national and international trademark systems.<sup>36</sup>

### *1. Likelihood of Confusion*

A fundamental concept in trademark law, likelihood of confusion is defined as “[t]he prospect that consumers might be confused as to the sources of goods or services represented by two similar marks[.]”<sup>37</sup> Likelihood of confusion is the second prong in the bipartite test for trademark infringement, and judicious policing

---

that it owns a valid mark; (2) that the defendant used the mark ‘in commerce’ and without plaintiff’s authorization; (3) that the defendant used the mark (or an imitation of it) ‘in connection with the sale, offering for sale, distribution, or advertising’ of goods or services; and (4) that the defendant’s use of the mark is likely to confuse consumers.”); *Tiffany (NJ), Inc. v. eBay, Inc.*, 600 F.3d 93, 102 (2d Cir. 2010) (quoting *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 145–46 (2d Cir. 2007)) (“Under [S]ection 32” of the Lanham Act, 15 U.S.C. 1114, “the owner of a mark registered with the Patent and Trademark Office can bring a civil action against a person alleged to have used the mark without the owner’s consent.”).

<sup>35</sup> Calhoun, *supra* note 31, at 88.

<sup>36</sup> All of the definitions in this Part are provided by the International Trademark Association, and thus (presumably) are consistent across national boundaries. Furthermore, many legal systems contain congruent—if not identical—forms of analysis for many of these key concepts. See, e.g., Annette Kur, *Convergence After All? A Comparative View on the U.S. & E.U. Trademark System in Light of the “Trade Mark Study,”* 19 J. INTELL. PROP. L. 305, 306 (2012) (“The basic concept of trademark law is universal: distinctive signs indicating commercial origin are protected against acts by third parties which would expose consumers to the risk of confusing commodities offered from different sources.”). However, the precise definitions of these terms vary to some degree among different legal systems, as indicated throughout this Article when relevant.

<sup>37</sup> *Trademark Basics: Glossary*, INT’L TRADEMARK ASS’N (May 13, 2019), <https://www.inta.org/TrademarkBasics/Pages/glossary.aspx> [https://perma.cc/7CYE-5LFM].

of the potential for the creation of a likelihood of confusion serves the important policy purpose of protecting “the goodwill of the trademark owner.”<sup>38</sup> The concept of likelihood of confusion, as enshrined in federal trademark law in the Lanham Act of 1946,<sup>39</sup> “has been central to trademark registration” in the United States “since at least 1881[.]”<sup>40</sup> and has been an issue examined in the context of trademark infringement since the very origin of American trademark law.<sup>41</sup>

In the United States, to determine if a likelihood of confusion exists between a proposed trademark and an existing mark, a court “must” consider the 12-factor test for likelihood of confusion articulated in *Application of E.I. DuPont de Nemours & Co.*, in which the Court of Customs and Patent Appeals (a predecessor to the Court of Appeals for the Federal Circuit)<sup>42</sup> considered, *inter alia*,

(1) The similarity or dissimilarity of the marks in their entireties

<sup>38</sup> Calhoun, *supra* note 31, at 88. The “goodwill” of a trademark can be defined as “the value underlying the mark,” which is protected by law as a form of property right in the mark itself. Robert Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 BOS. UNIV. L. REV. 547, 560 (2006).

<sup>39</sup> See 15 U.S.C. § 1052(d) (2018) (stating that a trademark registration may be refused if it “comprises a mark which so resembles a mark registered” at the Patent and Trademark Office “as to be likely, when applied to the goods of the applicant to cause confusion” as to the source of the goods).

<sup>40</sup> *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 155, 135 S. Ct. 1293, 1307 (2015) (referencing Act of Mar. 3, 1881, ch. 138, § 3, 21 Stat. 503 creation of a “likely to cause confusion” standard for trademark registration).

<sup>41</sup> See, e.g., *McLean v. Fleming*, 96 U.S. 245, 256–57 (1878) (holding that an imitation that is close enough to the original trademark as to deceive consumers infringed upon that trademark).

<sup>42</sup> Prior to 1982, the C.C.P.A. exercised sole nationwide jurisdiction over a variety of appeals from the United States Patent and Trademark Office. See Sarah Burstein, *Visual Invention*, 16 LEWIS & CLARK L. REV. 169, 182 (2012). In 1982, however, Congress created the Court of Appeals for the Federal Circuit (the “Federal Circuit” or “C.A.F.C.”), which subsumed the role of the C.C.P.A. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982); see also *id.* § 127(a)(4), *codified at* 28 U.S.C. § 1295(a)(4) (2018) (providing that the Federal Circuit “shall have exclusive jurisdiction” over all “appeal[s] from a decision of (A) the Patent Trial and Appeal Board . . . (B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office or the Trademark Trial and Appeal Board with respect to applications for registration of marks or other proceedings” relating to trademark registrations, “or (C) a district court to which a case was directed pursuant to” the federal patent infringement statutes, 35 U.S.C. §§ 145, 146, 154(b)). In its first published opinion, *South Corp. v. United States*, the Federal Circuit adopted all prior decisions of the C.C.P.A. as binding precedent. 960 F.2d 1368, 1370 (Fed. Cir. 1982) (en banc).

as to appearance, sound, connotation and commercial impression[;]

(2) The similarity or dissimilarity and nature of the goods or services as described in the application or registration or in connection with which a prior mark is used[;]

(3) The similarity or dissimilarity of established, likely-to-continue trade channels[;]

...

(5) The fame of the prior mark (sales, advertising, length of use)[;]

(6) The number and nature of similar marks in use on similar goods[;]

(7) The nature and extent of any actual confusion[;]

... [and]

(12) The extent of potential confusion, i.e. whether de minimis or substantial.<sup>43</sup>

Similar tests for likelihood of confusion have developed in the different federal circuits,<sup>44</sup> and in the international trademark system

<sup>43</sup> *In re Application of E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

<sup>44</sup> *Compare* AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979) (establishing an eight-factor test for likelihood of confusion), *with* Nelson-Ricks Cheese Co. v. Lakeview Cheese Co., 331 F. Supp. 3d 1131, 1140–41 (D. Idaho 2018) (noting that any list of factors is “not mandatory or an exhaustive list” but exists to give the court a framework in which to shape its analysis) *and* Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961) (“Where the products are different, the prior owner’s chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant’s good faith in adopting its own mark, the quality of defendant’s product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account.”). Each circuit has a different combination of preferred factors that it relies upon in finding a likelihood of confusion, and while all cite to the *DuPont* factors as a list of potential factors to consider, none use the twelve-factor list as their test of choice. *See generally* Australian Gold, Inc. v. Hatfield, 436 F.3d 1228 (10th Cir. 2006) (applying a six-factor test); Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772, 396 F.3d 1369 (Fed. Cir. 2005) (applying a thirteen-factor test comprising the twelve *DuPont* factors as well as any other established fact probative to the effect of use); Frosty Treats Inc. v. Sony Comp. Entm’t Am. Inc., 426 F.3d 1001 (8th Cir. 2005) (applying a six-factor test); KOS Pharm. Inc. v. Andrx Corp., 369 F.3d 700 (3d Cir. 2004) (applying a ten-factor test); Dippin’ Dots, Inc. v. Frosty Bites Distribution, LLC, 369 F.3d 1197 (11th Cir. 2004) (applying a seven-factor test); Scott Fetzer Co. v. House of Vacuums Inc., 381 F.3d 477 (5th Cir. 2004) (applying a seven-factor test); Playtex Prods., Inc. v. Georgia-Pacific Co., 390 F.3d 158 (2d Cir. 2004) (applying an eight-factor test); Bos. Athletic Ass’n v. Sullivan,

as well.<sup>45</sup>

## 2. Dilution

In the context of famous marks (including many haute couture trademarks), a second form of trademark right violation, dilution, is almost as significant as confusion-based infringement.<sup>46</sup> Dilution is defined as “[t]he lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the owner of the famous mark and other parties, or of likelihood of confusion.”<sup>47</sup> In the United States, “a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.”<sup>48</sup> Trademark dilution “has been described as a ‘subtle’” concept<sup>49</sup> that comes in two varieties: dilution by blurring and dilution by tarnishment.<sup>50</sup>

Of the two types of dilution, “dilution by blurring” is the more common.<sup>51</sup> This form of dilution consists of an “association arising

---

867 F.2d 22 (1st Cir. 1989) (applying an eight-factor test); *Frisch’s Restaurants v. Elby’s Big Boy*, 670 F.2d 642 (6th Cir. 1982) (applying an eight-factor test); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984) (applying a seven-factor test); *Frisch’s Restaurants v. Elby’s Big Boy*, 670 F.2d 642 (6th Cir. 1982) (applying an eight-factor test); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979) (applying an eight-factor test); *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325 (7th Cir. 1977) (applying a seven-factor test), *cert. denied*, 459 U.S. 916 (1982); *Partido Revolucionario Dominicano (PRD) Seccional Metropolitana de Washington-DC, Maryland y Virginia v. Partido Revolucionario Dominicano, Seccional de Maryland y Virginia*, 312 F. Supp. 2d 1 (D.D.C. 2004) (applying a seven-factor test). This is not to say that every court and every judge within each Federal Circuit conforms to that circuit’s generally-accepted test. *See, e.g.*, *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455 (4th Cir. 1996) (suggesting that Fourth Circuit courts can supplement the *Pizzeria Uno* test with additional factors); *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166 (5th Cir. 1986) (advocating for an eight-factor test), *cert. denied*, 481 U.S. 1069 (1987).

<sup>45</sup> See *Trademark Basics: Glossary*, *supra* note 37.

<sup>46</sup> *See, e.g.*, *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F. Supp. 3d 425, 432–33 (S.D.N.Y. 2016).

<sup>47</sup> *Trademark Basics: Glossary*, *supra* note 37.

<sup>48</sup> 15 U.S.C. § 1125(c)(2)(A) (2018).

<sup>49</sup> *Louis Vuitton Malletier, S.A.*, 156 F. Supp. 3d at 432 (quoting *Tiffany (NJ), Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 521–22 (S.D.N.Y. 2008)).

<sup>50</sup> *Trademark Basics: Glossary*, *supra* note 37. *See* 15 U.S.C. §§ 1125(c)(1), 1125(c)(2) (2018).

<sup>51</sup> 15 U.S.C. § 1125(c) (2018). *See* Kathleen McCabe, Note, *Dilution-by-Blurring*:

from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”<sup>52</sup> As one court explained it, “[t]he classic case of dilution by blurring involves an unrelated product coopting a famous name or trademark as its own[,]” such that “the new use of the famous trademark may cause ‘consumers [to] form new and different associations with the plaintiff’s mark,’ thereby diluting the [distinctiveness] of the mark.”<sup>53</sup> The less distinctive a famous mark becomes, the less consumers recognize its commercial impression, thereby reducing its inherent “value” as a mark.<sup>54</sup>

The far less common form of dilution is “dilution by tarnishment[,]” which is defined as an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”<sup>55</sup> While different federal circuits have different specific tests for tarnishment,<sup>56</sup> the general concept is that a trademark is “tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or prestige in the defendant’s goods with the plaintiff’s unrelated goods.”<sup>57</sup> Tarnishment generally involves the association of prurient, unsavory, or other crude images and words

---

*A Theory Caught in the Shadow of Trademark Infringement*, 68 FORDHAM L. REV. 1827, 1828 (2000). See also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:68 (5th ed., Mar. 2020).

<sup>52</sup> 15 U.S.C. § 1125(c)(2)(B) (2018).

<sup>53</sup> *Louis Vuitton Malletier, S.A.*, 156 F. Supp. 3d at 433 (quoting *Visa Intern. Serv. Ass’n v. JSL Corp.*, 610 F.3d 1088, 1090 (9th Cir. 2010)).

<sup>54</sup> *Id.*

<sup>55</sup> 15 U.S.C. § 1125(c)(2)(C) (2018). See also Sarah Burstein, *Dilution by Tarnishment: The New Cause of Action*, 98 TRADEMARK REP. 1189, 1191 (2008) (quoting *Original Appalachian Artworks, Inc. v. Topps Chewing Gum, Inc.*, 642 F. Supp. 1031, 1039 (N.D. Ga. 1986)) (“[T]arnishment ‘occurs when a defendant uses the same or similar marks in a way that creates an undesirable, unwholesome, or unsavory mental association with the plaintiff’s mark.’”).

<sup>56</sup> Compare *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 110 (2d Cir. 2009) (finding invocations of “bitter, over-roasted coffee” with the Starbucks logo insufficient to be tarnishment), with *Chem. Corp. v. Anheuser-Busch, Inc.*, 306 F.3d 433, 437–38 (5th Cir. 1962) (holding an exterminator’s slogan tarnished the beer company’s logo through a play on words) and *Steinway & Sons v. Robert Demars & Friends*, 210 U.S.P.Q. 954 (C.D. Cal. 1981) (holding that “STEIN-WAY” clip on beer handles tarnished Steinway pianos).

<sup>57</sup> *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996) (internal quotation marks omitted).

with a famous mark; accordingly, successful dilution by tarnishment cases are relatively rare.<sup>58</sup>

### 3. Trade Dress

Trade dress is the third key concept of trademark infringement in the context of haute couture. Trade dress is defined as “[t]he overall commercial image of a product or service[.]” which “may include the design or configuration of a product . . . [and] such elements as [the] size, shape, color” or overall consumer impression of a product, “to the extent [that] such elements are not functional.”<sup>59</sup> In the United States, the federal circuits have different tests for whether a design can be protected by trade dress, but there is uniformity in recognition of trade dress as a part of trademark rights overall.<sup>60</sup> The United States Supreme Court first recognized trade dress as protectable under the Lanham Act in 1992,<sup>61</sup> though the following year it narrowed the applicability of trade dress protection in the fashion and product design context to only designs that have recognizable “secondary meaning” or, in other words, have acquired distinctiveness<sup>62</sup> (such as, for example, Louboutin’s red soles on women’s high-heeled shoes).<sup>63</sup>

The test a court applies in determining whether or not a party

---

<sup>58</sup> See, e.g., *Starbucks Corp.*, 588 F.3d at 110; *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205–06 (2d Cir. 1979). See also *Burstein, Dilution by Tarnishment*, *supra* note 55, at 1191 (citing *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 466–67 (6th Cir. 2001), *rev’d on other grounds*, 537 U.S. 418 (2003) (“The Sixth Circuit described the Moseley use as ‘a classic instance of dilution by tarnishing (associating the Victoria’s Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment).’”).

<sup>59</sup> *Trademark Basics: Glossary*, *supra* note 37.

<sup>60</sup> See, e.g., *Adidas Am., Inc. v. Sketchers USA, Inc.*, 890 F.3d 747, 754 (9th Cir. 2018); *Yankee Candle Co. v. Bridgewater Candle Co.*, 259 F.3d 25, 38–39 (1st Cir. 2001); *Reader’s Digest Ass’n v. Conservative Digest, Inc.*, 821 F.2d 800, 803–04 (D.C. Cir. 1987); *M. Kramer Mfg. Co. v. Andrews*, 783 F.2d 421, 448–49 (4th Cir. 1986); *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71, 75 (2d Cir. 1985); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983).

<sup>61</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

<sup>62</sup> *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 205–06 (2000); see also *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 28 (2001) (“The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning, assuming other requisites are met, is a trade dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods.”).

<sup>63</sup> See *infra* Part III.

has infringed the trade dress of another is the same as the test in a likelihood of confusion analysis; however, the focus shifts from one specific word or design element in particular, to the non-functional<sup>64</sup> look and feel of the goods or services.<sup>65</sup> “It is the total combination of elements of the ‘trade dress’ as defined by the plaintiff that is at issue[]” in such a case: “the focus must be on the overall impression created by the accused trade dress as compared with [the] plaintiff’s trade dress.”<sup>66</sup> Trade dress falls into two categories: product packaging (which includes decoration) and product design. While product packaging can be inherently distinctive, the Supreme Court has held that in the trade dress context, “a product’s design is distinctive, and therefore protectible, only upon showing of secondary meaning.”<sup>67</sup>

### III. International Trademark Framework

International trademark law can generally be divided into two periods: the era of early international intellectual property treaties (circa 1860–1960) and that of the modern intellectual property world order. The first international trademark protection treaty<sup>68</sup> was enacted exactly one hundred years after the first English case to recognize trademarks *per se*,<sup>69</sup> and only fifty years after the first recorded “injunction against trademark infringement” in Anglo-American jurisprudence.<sup>70</sup> The development of trademark protection in this first century was largely accomplished on an incremental basis, addressing issues as they arose. Over the following 112 years,<sup>71</sup> however, international trademark protection

---

<sup>64</sup> The trade dress cannot be functional, or be of such a nature as to put a trade dress owner’s competitors at a “significant non-reputation-related disadvantage.” *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995).

<sup>65</sup> See, e.g., *Adidas Am., Inc.*, 890 F.3d at 755.

<sup>66</sup> J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 8:2 (5th ed., Mar. 2020). See also *Click Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1259 (9th Cir. 2001) (“Trade dress is the composite tapestry of visual effects.”); *Combe Inc. v. Scholl, Inc.*, 453 F. Supp. 961, 964 (S.D.N.Y. 1978) (“[T]he overall impression is determinative.”).

<sup>67</sup> *Wal-Mart Stores, Inc.*, 529 U.S. at 216.

<sup>68</sup> See Paris Convention, *supra* note 8.

<sup>69</sup> *Diamond*, *supra* note 3, at 244–45. The case is *Singleton v. Bolton*, 3 Doug 293 (1783).

<sup>70</sup> *Id.* This injunction was issued in *Millington v. Fox*, 3 Myl & Cr 338 (1838).

<sup>71</sup> The Paris Convention, *supra* note 8, was enacted in 1883; the TRIPS Agreement,



treaties proliferated at a much higher rate and much more anticipatorily than in the past.<sup>72</sup> This rapid expansion of international treaties accompanied the height of the Industrial Revolution<sup>73</sup> and the beginnings of a global economy.<sup>74</sup> Within this context, technological progress and expanding global economies helped to foster an environment conducive to expanded trademark protections, and international law shifted from a reactionary system to a system that proactively addressed burgeoning issues as they developed worldwide.

### *A. Early International Treaties*

The first multilateral international agreement on trademark recognition was the 1883 Paris Convention for the Protection of Industrial Property (“Paris Convention”).<sup>75</sup> The Paris Convention was a response to the industrial revolution-era reliance on source-of-good identification; it created “a Union for the protection of industrial property” including “trademarks, service marks, trade names, [and] indications of source or appellations of origin[.]”<sup>76</sup> Within this union, countries agreed to police their domestic trademark registries on behalf of the owners of famous (or “well-known”) trademarks already registered in other member countries, and to cancel, either “ex officio . . . or at the request of an interested party,” any good faith registration of “a mark considered by the competent authority . . . to be well known in th[e] country as being

---

*supra* note 8, was enacted in 1995.

<sup>72</sup> Just one treaty, the Paris Convention, *supra* note 8, was enacted between 1783 and 1883. See *supra* note 8 and accompanying text. In the next 112 years, by contrast, the international community enacted at least nine treaties that are discussed below. See *infra* text accompanying notes 75–117.

<sup>73</sup> The “second industrial revolution” was the wave of innovation that occurred between the 1890s and the First World War (c.1890–1914). See Stanley Jevons, *The Second Industrial Revolution*, 41 *ECON. J.* 1, 2–4 (1931) (concluding that the period between 1873 and the First World War could be considered a second wave of the industrial revolution). See generally Aimee Chin, Chinhui Juhn, & Peter Thompson, *Technical Change and the Demand for Skills During the Second Industrial Revolution: Evidence From the Merchant Marine, 1891–1912*, 88 *REV. ECON. & STATS.* 572 (2006).

<sup>74</sup> Economists Ward Rennan and Pim Martens divide modern global economic growth into three phases, the first of which occurred 1807–1939 (from the invention of the steamboat to the First World War). Ward Rennan & Pim Martens, *The Globalisation Timeline*, 4 *INTEGRATED ASSESSMENT* 137, 138–40 (2003).

<sup>75</sup> See Paris Convention, *supra* note 8.

<sup>76</sup> *Id.* art. 1.

already the mark of a person” or corporation, within five years of the domestic registration of the infringing mark.<sup>77</sup> Countries further agreed to cancel the registration of any domestic marks “registered or used in bad faith.”<sup>78</sup>

This treaty was a significant development for international trademark law for two reasons. First, the burden to police use of their own marks has traditionally remained with the trademark holder,<sup>79</sup> and second, normally a trademark holder must affirmatively prove grounds for cancellation of confusingly similar marks.<sup>80</sup> Under the system established by the Paris Convention, by contrast, all that is required of a holder of a famous trademark is the request that a confusingly similar (or infringing) registration—even if registered in another country by an individual in good faith—be cancelled.<sup>81</sup> In essence, the Paris Convention shifted the burden of persuasion for cancellation of a registration already in existence on a member country’s trademark register overwhelmingly in favor of the holders of “well-known” marks.<sup>82</sup> Furthermore, the Paris Convention contained limited domestic enforcement mechanisms, including the seizure of counterfeit goods upon importation, the right to issue an embargo on counterfeit goods,<sup>83</sup> and the right of

---

<sup>77</sup> *Id.* art. 6bis. The registration of any mark sufficiently like a pre-existing mark as to be “liable to create confusion” must also be cancelled under this provision. *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> See, e.g., Jessica E. Lanier, *Effective Policing: Giving Trademark Holders a Pre-Emptive Strike Against “Genericide,”* 20 B.U. J. SCI. & TECH. L. 247, 259 (2014) (“A trademark holder has the obligation to monitor and police how other parties—both competitors and non-competitors—use his mark to prevent it from becoming generic.”). See also Deborah R. Gerhardt, *Beware the Trademark Echo Chamber: Why Federal Courts Should Not Defer to USPTO Decisions*, 33 BERKELEY TECH. L. J. 643, 646 (2018) (“Even if a brand owner is not using its mark in every state, [a] registration empowers the owner to stop later adopters from using the mark once the owner enters their regions.”).

<sup>80</sup> See 15 U.S.C. § 1064 (2018). See also Gerhardt, *supra* note 79, at 678 (“If the USPTO permits the applicant’s mark to publish or register, those harmed by such a decision may later challenge it through a post publication opposition or post registration cancellation proceeding.”); U.S. DEP’T OF COMMERCE, U.S. PATENT & TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE §§ 1503.03, 1607 (Oct. 2018).

<sup>81</sup> Paris Convention, *supra* note 8, arts. 1, 6bis.

<sup>82</sup> *Id.* “Well-known” marks are defined in Article 6bis as “a mark considered by the competent authority . . . to be well known in the country as being already the mark of a person” or corporation. *Id.*

<sup>83</sup> *Id.* art. 9 (“All goods unlawfully bearing a trademark or trade name shall be seized on importation” and “[i]f the legislation of a country does not permit seizure on importation, seizure will be replaced by prohibition of[n] importation[.]”).

aggrieved individuals "to take action in the courts or before the administrative authorities, with a view to the repression of" importing counterfeit goods.<sup>84</sup>

The 1891 Madrid Agreement Concerning the International Registration of Marks ("Madrid Agreement") expanded upon the Paris Convention by transitioning international trademark law from a system in which mark owners have to create a separate domestic registration for each of their marks in each country into one in which the domestic registration in their home country could serve as the basis of a registration in any other Madrid Agreement member country.<sup>85</sup> Once a trademark registration in a member country was registered by the International Bureau that the Madrid Agreement created, it was protected in each signatory country under domestic laws "the same [way] as if the mark had been filed therein direct."<sup>86</sup> International registration was valid for twenty years<sup>87</sup> and could be renewed for additional twenty-year terms prior to the current term's expiration.<sup>88</sup> The Madrid Agreement did not, however, expand the domestic-law-based enforcement mechanisms of the Paris Convention. Later treaties created classifications of goods and services that can be registered internationally,<sup>89</sup> established "a common classification for the figurative elements of marks[.]"<sup>90</sup> created special protections for the Olympic symbol,<sup>91</sup> set administrative procedure for international registration (including the correction of mistakes) and for the renewal of a registration,<sup>92</sup> and expanded a shorter five-year term protection to industrial and

---

<sup>84</sup> *Id.* art. 10<sup>ter</sup>.

<sup>85</sup> Madrid Agreement, *supra* note 8, arts. 3, 3<sup>ter</sup>, 4<sup>bis</sup>.

<sup>86</sup> *Id.* art. 4(1).

<sup>87</sup> *Id.* art. 6(1).

<sup>88</sup> *Id.* arts. 7(1), 7(4).

<sup>89</sup> Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks arts. 1–2, June 15, 1957, 828 U.N.T.S. 191.

<sup>90</sup> Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks art.1, June 12, 1973, 1863 U.N.T.S. 317.

<sup>91</sup> Nairobi Treaty on the Protection of the Olympic Symbol art. 1, Sept. 26, 1981, 1863 U.N.T.S. 367.

<sup>92</sup> Trademark Law Treaty, Oct. 27, 1994, 2037 U.N.T.S. 35. These regulations were expanded through the 2006 Singapore Treaty. *See* Singapore Treaty on the Law of Trademarks, Mar. 27, 2006, 2633 U.N.T.S. 3.

commercial designs, including aesthetic patterns.<sup>93</sup> This proliferation of intellectual-property-based legislation notwithstanding, no subsequent treaty expanded the Paris Convention's enforcement powers beyond the confines of domestic courts.

### *B. The New Intellectual Property Order*

As international trademark protection expanded through the early twentieth century, the World Intellectual Property Organization ("WIPO") was established in 1967 with the objectives of "promot[ing] the protection of intellectual property throughout the world through cooperation among States" and "ensur[ing] administrative cooperation among the Unions[]" created by the Paris Convention and the copyright-centric Berne Convention.<sup>94</sup> WIPO was authorized to "promote the development of measures designed to facilitate the efficient protection of intellectual property throughout the world and to harmonize national legislations in this field[,] as feasible."<sup>95</sup> To do so, WIPO was empowered to "establish working relations and cooperate with other intergovernmental organizations" as approved by the Director General and the Coordination Committee.<sup>96</sup> With the support of WIPO, the terms of the Madrid Agreement were codified and updated in the 1989 Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol"). This Protocol ensures continued protection of marks registered through WIPO within the territories of all countries who join the Protocol ("contracting countries" or "member countries").<sup>97</sup> Assuming no member country or other mark-holder objects during the application process, all trademarks registered through the Protocol have the same effect as a registration with the domestic trademark office of

---

<sup>93</sup> Hague Agreement Concerning the International Registration of Industrial Designs, Nov. 5, 1925, *amended* Dec. 23, 2003, 2279 U.N.T.S. 3 [hereinafter Hague Agreement].

<sup>94</sup> Convention Establishing the World Intellectual Property Organization art. 3, July 14, 1967, 828 U.N.T.S. 3 [hereinafter WIPO Convention]. The Berne Convention deals exclusively with the protection of literature and the arts—matters of copyright, not trademark. *See* Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 828 U.N.T.S. 221.

<sup>95</sup> WIPO Convention, *supra* note 94, art. 4(i).

<sup>96</sup> *Id.* art. 13(1).

<sup>97</sup> Madrid Protocol, *supra* note 9, art. 2(1).

each contracting country, just like under the Madrid Agreement.<sup>98</sup> The duration of a trademark's registration was reduced from twenty to ten years, as was the term of a renewal.<sup>99</sup> Again, none of these changes increased international enforcement power for internationally registered trademarks.

The 1995 Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement") further expanded upon the Madrid Protocol without broadening international enforcement mechanisms to protect trademark holders. The TRIPS Agreement recognized the descriptive fair use exception to trademark infringement<sup>100</sup> and defined the term for abandonment of a mark—three consecutive years of non-use.<sup>101</sup> The novel aspect of this treaty is Part III of the Agreement, which outlines the civil and administrative obligations of each country to prevent trademark infringement. However, the TRIPS Agreement still stipulated that legal proceedings have as a venue the domestic courts of the contracting state under the normal laws of that country.<sup>102</sup> As such, the treaty "does not create any obligation" of a contracting country to have extra-ordinary judicial proceedings, nor does it disrupt "the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general."<sup>103</sup> While the TRIPS Agreement authorizes monetary damages, injunctive relief, and other equitable remedies for infringement,<sup>104</sup> it does not go as far as to propose a means of harmonizing disparate domestic decisions affecting multinational trademark holders.

---

98 *Id.* art. 4(1)(a); *see also id.* art. 9*quinquies* ("Transformation of an International Registration into National or Regional Applications").

99 *Id.* art. 7(1).

100 TRIPS Agreement, *supra* note 8, art. 17. The "fair use" exception is a defense to claims of trademark infringement. *See, e.g.,* Haochen Sun, *Reforming Anti-Dilution Protection in the Globalization of Luxury Brands*, 45 GEO. J. INT'L L. 783, 812–13 (2014) ("The category of fair use in the United States includes nominative fair use, descriptive fair use, comparative advertising, and parodic use. There is no general fair use-based defense to dilution in the E.U. Nominative fair use exempts a user from liability where he uses the senior mark to identify a senior user[.]" whereas descriptive fair use "applies where a junior user uses the senior mark to describe its own goods.").

101 TRIPS Agreement, *supra* note 8, art. 19(1).

102 *Id.* art. 41.

103 *Id.* art. 41(5).

104 *Id.* arts. 44–46. *See id.* art. 50(2) (granting authorities power "to adopt provisional measures *inaudita altera parte* where appropriate, in particular where any delay is likely to cause irreparable harm").

#### IV. Fashion's Trademark Woes

Haute couture is particularly vulnerable to gaps in international trademark law because “[i]n the fashion industry, designers and retailers primarily benefit from trademark” protection,<sup>105</sup> as the vast majority of designs do not fit neatly within the confines of copyright law<sup>106</sup> or a patent.<sup>107</sup> Therefore, “[f]or luxury brands like Louis Vuitton and Chanel . . . trademark law is the central protective measure of the overall brand.”<sup>108</sup> Generally, “[t]he highest profile counterfeit investigations and prosecutions concern luxury goods[.]”<sup>109</sup> and “[c]ounterfeit luxury items have become a multi-million dollar business for traffickers because of the commonplace acceptance of counterfeit purses in our society and the sophisticated strategies for evading state or federal agents.”<sup>110</sup> Counterfeit luxury goods, and specifically knockoff fashion merchandise, have become exponentially more common in the past two decades.<sup>111</sup> As of 2011, “it is estimated that the total value of counterfeit and pirated products is \$650 billion annually[.]” and from 1991 to 2011, “the overall activity of the counterfeit market” increased “10,000 percent[.]”<sup>112</sup>

Further exacerbating the problem is societal acceptance of counterfeit luxury goods. For example, “[a] 2009 study . . . found that ‘[e]ighty percent of consumers surveyed reported having

---

<sup>105</sup> Natalie Cuadros, *Bremining in Vogue: The Impact of Brexit on the Fashion Industry*, 7 AM. U. BUS. L. REV. 129, 133 (2018) [hereinafter Cuadros].

<sup>106</sup> The concept of “separability,” which has been defined as “whether a feature can be separately identified from, and exist independently of, a useful article[.]” is the main bar that makes it difficult to protect garments under copyright law. *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002, 1008 (2017).

<sup>107</sup> It is important to note that design patent protection is available for many items, and readily applies to footwear, bags, eyewear, and even some garments. *See, e.g.*, Julie Zerbo, *Currently Trending in Fashion: Design Patents*, THE FASHION LAW (June 23, 2016), <https://www.thefashionlaw.com/home/currently-trending-in-fashion-design-patents> [<https://perma.cc/2A33-B9AT>]. However, trademark law remains the most relied-upon form of brand protection for the vast majority of fashion companies and other luxury brands. *See* Casey L. Tripoli, *Fashion Forward: The Need for a Proactive Approach to the Counterfeit Epidemic*, 41 BROOK. J. INT’L L. 875, 883 (2016) [hereinafter Tripoli].

<sup>108</sup> Tripoli, *supra* note 107, at 883.

<sup>109</sup> Amendolara, *supra* note 1, at 809.

<sup>110</sup> *Id.* at 809–10.

<sup>111</sup> Tripoli, *supra* note 107, at 876.

<sup>112</sup> *Id.*

bought some kind of counterfeit [good] at least once.”<sup>113</sup> Studies within the European Union (“EU”) confirm how complacent European society is to the economic harm that counterfeit luxury goods create: “a 2013 EU study by the Office for Harmonisation in the Internal Market found that” 96% of Europeans value artist and designer intellectual property protections, yet “counterintuitively, ‘34% of Europeans, and 52% of 15 to 24-year-olds [specifically], believe that buying counterfeit products is a smart purchase that enables you to have the items you want while preserving your purchase power.’”<sup>114</sup> The fashion industry is aware of the knockoff epidemic—“[e]xecutives at Kate Spade[,]” for example, “believe that the sales ratio of real bags to knockoffs is one-to-one”<sup>115</sup>—but is incapable of fully combatting it under the current international trademark system. At present, fashion companies can rely on the Madrid Protocol to register trademarks internationally, and “[r]egistrants may apply for international design protection through WIPO using the Hague System.”<sup>116</sup> These measures still place the burden on registered-mark holders to pursue aggressive litigation within the countries in which infringement is occurring.<sup>117</sup>

### *A. Trademark Squatting: The Hermès Example*

An additional barrier to protection arises from the fact that trademark holders carry the burden of demonstrating that they own a valid trademark<sup>118</sup> and of contesting trademark infringement in

---

<sup>113</sup> *Id.* at 908 (quoting BUS. ACTION TO STOP COUNTERFEITING & PIRACY (“BASCAP”), RESEARCH REPORT ON CONSUMER ATTITUDES & PERCEPTIONS ON COUNTERFEITING AND PIRACY 12 (Nov. 2009), <https://iccwbo.org/content/uploads/sites/3/2016/11/Consumer-Research-Report-1109-1.pdf> [<https://perma.cc/J4QW-7FCV>]).

<sup>114</sup> *Id.* at 908 (quoting OFFICE FOR HARMONIZATION IN THE INTERNAL MKT., EUROPEAN CITIZENS & INTELLECTUAL PROPERTY: PERCEPTION, AWARENESS AND BEHAVIOUR 1 (Nov. 2013), <https://euipo.europa.eu/ohimportal/documents/11370/80606/IP+perception+study> [<https://perma.cc/JFC3-R9Q9>]).

<sup>115</sup> Amendolara, *supra* note 1, at 809 (citing Tina Cassidy, *Bagging the Knockoffs: There’s Nothing Like the Real Thing*, BOS. GLOBE, Dec. 26, 2002, at D1).

<sup>116</sup> Cuadros, *supra* note 105, at 136. The Hague Agreement created the Hague System in 1925 to harmonize and simplify international design registration. See Hague Agreement, *supra* note 93.

<sup>117</sup> See, e.g., Cuadros, *supra* note 105, at 136 (providing examples of avenues that are usually pursued to protect trademarks).

<sup>118</sup> In the United States, a trademark that has been in continuous use for five years following registration on the USPTO’s Principal Register, and for which there has been no

domestic courts, as some countries have domestic trademark systems that create an environment conducive to trademark squatting.<sup>119</sup> “Trademark squatting” involves “an individual ‘who steals another’s mark and registers it as a trademark in his countr[y] knowing that it belongs to someone else.’”<sup>120</sup> With its first-to-file system, China is a prime example of a country where this phenomenon is particularly common.<sup>121</sup> Trademark squatting is difficult to defend against in China, as generally “brand names without an inherent meaning or with a meaning that cannot be translated are given transliterations into Chinese[.]”<sup>122</sup> and often “it is possible to create a Chinese transliteration of the foreign language brand name that not only mimics the sound to a Chinese consumer but also has a meaning in Chinese that appeals to consumers.”<sup>123</sup> The names a brand must protect through domestic litigation thus include the Latin-alphabet name and any Chinese-character names the brand uses in commerce or may anticipate using in commerce.<sup>124</sup>

“Examples of trademark squatting victims include Hermès, which filed a trademark in China without registering its Chinese translation, Ai Ma Shi[;] Hermès, however, continuously used Ai Ma Shi as its Chinese name” until “in 1995, a menswear company registered the Chinese translation of Hermès using the almost identical characters” and “Chinese courts ultimately ruled against Hermès, finding that Hermès failed to prove that it was a well-known brand in China prior to the registration of its Chinese translation.”<sup>125</sup> Other brands have lost valuable market shares in China and other countries due to similar trademark squatting

---

challenge to the mark or legal decision against the mark, can be considered “incontestable” and is thereafter immune from legal challenge to its validity. 15 U.S.C. § 1065 (2018). See also *Park’N Fly v. Dollar Park & Fly*, 496 U.S. 189, 196–98 (1985) (where a mark had become incontestable, another party could not challenge the mark as descriptive).

<sup>119</sup> Martin, *supra* note 7, at 1002.

<sup>120</sup> *Id.* at 1001 (alteration in original) (quoting Kitsuron Sangsuvan, *Trademark Squatting*, 31 WIS. INT’L L. J. 252, 259 (2013)).

<sup>121</sup> See *id.* at 1003–04 (noting that the first-to-file system that fails to account for actual use is a large part of why the Chinese trademark system continues to have a problem with trademark squatting). See also *supra* note 7 and accompanying text.

<sup>122</sup> Daniel C. K. Chow, *Trademark Squatting & the Limits of the Famous Marks Doctrine in China*, 47 GEO. WASH. INT’L L. REV. 57, 77 (2015).

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

<sup>125</sup> Martin, *supra* note 7, at 995–96.



tactics.<sup>126</sup>

### *B. Burberry's Challenges in China*

Beyond relying on a first-to-file system, rather than one of first-to-use, Chinese trademark law also conflicts with other countries' legal systems with respect to use within the country's territory.<sup>127</sup> Burberry, the British fashion company known for its signature tan, white, black, and red "Haymarket Check" tartan, was the target of a legal action in 2013 based on Chinese trademark law's lack of synchronicity with the laws of other Madrid Protocol member countries.<sup>128</sup> Like with the case of Hermès, Burberry struggled to defend its trademark against a domestic Chinese company, Polo Santa Roberta.<sup>129</sup> In 2012, this company "filed a request with the [Chinese] Trademark Office in which it alleged that [Burberry] had not used its signature plaid print for three years, and sought to have the trademark revoked."<sup>130</sup> Polo Santa Roberta further claimed that "[b]y maintaining exclusive use of the pattern, Burberry was monopolizing part of Scottish cultural heritage[.]"<sup>131</sup> When the Chinese Trademark Office cancelled the registration of Burberry's trademark on its Haymarket Check, Polo Santa Roberta filed suit against Burberry, seeking \$82 million in damages for costs of

---

<sup>126</sup> See generally Chow, *supra* note 122 (discussing the breadth of issues that trademark squatting has caused in China).

<sup>127</sup> See, e.g., Zerbo, *Burberry Loses Trademark*, *supra* note 1 (highlighting an instance where a Chinese company filed a complaint alleging that Burberry had not used its signature plaid for three years, leading to the revocation of its trademark).

<sup>128</sup> *Id.* See also Alter, *supra* note 1. Despite the language of this article, Burberry's mark is a trademark, not a copyright; as Burberry's statement quoted in this article notes, "[t]he Burberry Check is a registered trademark of Burberry Ltd., along with the name 'Burberry' and the 'Burberry Knight' logo." *Id.*

<sup>129</sup> Alter, *supra* note 1. Other articles refer to this company either as Polo Santa Roberta or as Road Bi Damaqui Leather Products Limited Company. See also, e.g., Zerbo, *Burberry Loses Trademark*, *supra* note 1 (referring to the company as Road Bi Damaqui Leather Product Limited Company).

<sup>130</sup> Zerbo, *Burberry Loses Trademark*, *supra* note 1.

<sup>131</sup> Heather Timmons, *Burberry Has Lost a Crucial Ruling on its Signature Tan, Black and Red Plaid in China*, QUARTZ (Nov. 27, 2013), <https://qz.com/151596/burberry-loses-rights-to-its-signature-tan-black-and-red-plaid-in-china/> [<https://perma.cc/MQ34-46T9>]. While this claim has little to do with international or domestic trademark law, it is of note that "[t]he Scottish Register of Tartans, incidentally, refers to the pattern in question as 'Burberry,' and says 'it has become so much part of the Burberry image that it has been trademarked and can now be regarded as a Corporate tartan.'" *Id.*

Burberry's past infringement suits against it.<sup>132</sup> This case has not yet been resolved.<sup>133</sup> Nevertheless, under a more fully "harmonized" international trademark system, as WIPO strives to promote, such a decision by a country's Trademark Office would not have been permitted, as Burberry is an internationally well-known mark whose Haymarket Check tartan has long since acquired a secondary meaning as a signifier of source.<sup>134</sup>

### *C. Chanel & the Double C*

Beyond the risk of being unable to adequately protect a registered mark in a foreign country, there are numerous occasions on which trademark owners meet the burden of policing their mark in foreign markets but nonetheless suffer detrimental consequences. One such example is the recent adverse ruling that Chanel suffered in a Chinese provincial intellectual property court.<sup>135</sup> In July 2016, the Chinese State Administration for Market Regulation for Guangzhou Province (at the time called the Administration for Industry and Commerce of Haizhu District) "acting on a [n anonymous] tip . . . raided Zhou-Bai-fu, [a] barely two-year old jewelry store owned by Chinese native Ye Meng-zong."<sup>136</sup> Upon discovering counterfeit "[g]oods in the shape of Chanel's double 'C' logo, which representatives for Chanel confirmed were fake[.]" the agency fined the store "RMB 80,000 (nearly \$12,000)[.]" and Chanel commenced "what would become a multi-year litigation" against the counterfeiter.<sup>137</sup> These actions are generally accepted forms of trademark policing, and Chanel met the burden left to it by the Madrid Protocol system to pursue infringing activities

---

<sup>132</sup> Zerbo, *Burberry Loses Trademark*, *supra* note 1.

<sup>133</sup> *Id.*

<sup>134</sup> See WIPO Convention, *supra* note 94, art. 4(i) (describing the goal of harmonizing trademark law). For the Scottish Register of Tartan's statement on Burberry's Haymarket Check's secondary meaning, see *supra* note 55.

<sup>135</sup> See, e.g., Julie Zerbo, *Chanel Handed an "Unacceptable" Loss in Chinese Counterfeit Jewelry Case*, THE FASHION LAW (July 3, 2019), <https://www.thefashionlaw.com/home/chanel-handed-an-unacceptable-loss-in-chinese-counterfeit-jewelry-case> [<https://perma.cc/GF4R-Y43Y>] [hereinafter Zerbo, *Chanel Handed an "Unacceptable" Loss*] (Chinese court ruling that a company using Chanel's trademark double C logo was not being used as a trademark, and was not misleading consumers to believe they were purchasing Chanel products).

<sup>136</sup> *Id.*

<sup>137</sup> *Id.*

domestically.<sup>138</sup>

Despite the fact that during the raid the State Administration for Market Regulation discovered only eight infringing items worth approximately RMB 6,000 (just under \$900) and these items were not offered for sale,<sup>139</sup> “the Guangzhou Haizhu District People’s Court found that Ye’s unauthorized use of the ‘double C’ mark did, in fact, amount to trademark infringement, and ordered him to pay Chanel RMB 60,000 (nearly \$9,000) in damages[.]”<sup>140</sup> On appeal, the Guangzhou Intellectual Property Court considered two issues: first, “whether the shape of the pieces of [jewelry] was used as a trademark; and” second, “if the logo was indeed being used, whether consumers were likely to be confused as to the source of the products.”<sup>141</sup> In a decision which “has aroused widespread concern in the industry[.]” the provincial intellectual property court “determined that Chanel had not sufficiently made its case for trademark infringement or counterfeiting, and held that the lower court’s decision should be vacated,” because “the shape of Ye’s products were not used as a trademark and so[] there was no infringement at play[.]”<sup>142</sup>

This decision hinged on Article 76 of the Implementing Regulations of the Chinese Trademark Law, which defines infringement to include “using a sign identical or similar to the registered trademark owned by another person on identical or similar commodities as the name or decoration of a commodity in a way that the general public are misled.”<sup>143</sup> Because the Guangzhou

<sup>138</sup> See, e.g., Cuadros, *supra* note 105, at 136 (illustrating examples of domestic trademark protections). See also Amendolara, *supra* note 1, at 809 (describing how trademarks are infringed by counterfeiters).

<sup>139</sup> Tian Lu, *Chanel’s ‘Double C’ Trade Mark Loss in China – An Unacceptable Conclusion?*, THE IPKAT (July 13, 2019), <http://ipkitten.blogspot.com/2019/07/channels-double-c-trade-mark-loss-in.html> [<https://perma.cc/WQ9D-PEWB>] (Unfortunately, the Author was unable to uncover any English-language primary documents on this case.).

<sup>140</sup> Zerbo, *Chanel Handed an “Unacceptable” Loss*, *supra* note 135.

<sup>141</sup> Ai-Lee Lim & Julia Wang, *Chanel Loses Chinese Trademark Infringement Case Involving ‘Double C’ Logo*, LEXOLOGY (Oct. 17, 2019), <https://www.lexology.com/library/detail.aspx?g=3d823364-bf6a-4447-bed4-9a96bb350870> [<https://perma.cc/S6V7-MDR9>].

<sup>142</sup> Zerbo, *Chanel Handed an “Unacceptable” Loss*, *supra* note 135.

<sup>143</sup> Regulation for the Implementation of the Trademark Law of the People’s Republic of China, State Council Decree No. 358 of Aug. 3, 2002, *revised* Decree No. 651 of Apr. 29, 2014, *Zhonghua Renmin Gongheguo Fagui Huibian* [State Administrative Reporter] (May 1, 2014), art. 76, <http://www.graceview->

Intellectual Property Court “held that the product shape is not part of the decoration of a commodity and excluded the application of Article 76[.]” Ye’s use was outside the scope of actionable infringement under Article 76, as “there was insufficient evidence to show that the [jewelry] store owner used the similarity between the shape of its [jewelry] and Chanel’s registered trademark to attract customers, promote its products or make any other trademark uses of the [jewelry] shape, or conducted any other activities to mislead consumers.”<sup>144</sup> Furthermore, the Court held that Chanel was unable to show evidence of consumer confusion as to the source of the jewelry, as Chanel argued the products would cause post-sale confusion, whereas under Chinese law, “confusion (stipulated in Article 57 of the Chinese Trade Mark Law) only refers to the ‘direct confusion’ caused by the misleading of producers or dealers.”<sup>145</sup> In a more “harmonized” international trademark system,<sup>146</sup> it is possible that the court would not have issued such a decision—one that goes against significant and well-established norms of trademark law and that a prominent Taiwan-based intellectual property law firm, Tsai Lee & Chen, called “no less than a justification . . . for counterfeiting.”<sup>147</sup>

#### *D. Louis Vuitton & Generic Marks*

Another region in which international trademarks have faced adverse legal proceedings is the European Union. Louis Vuitton was the subject of a 2015 decision from the Court of Justice for the European Union (“CJEU”) where the Court held that the company’s Damier check pattern was inherently generic and unable to be protected by trademark law.<sup>148</sup> Louis Vuitton created this pattern in

---

[ip.com/files/7%EF%BC%9ARegulations%20for%20the%20Implementation%20of%20the%20Trademark%20Law%20of%20the%20People%27s%20Republic%20of%20China.pdf](http://ip.com/files/7%EF%BC%9ARegulations%20for%20the%20Implementation%20of%20the%20Trademark%20Law%20of%20the%20People%27s%20Republic%20of%20China.pdf) [https://perma.cc/Q339-8H5G]. See also Lim & Wang, *supra* note 141.

<sup>144</sup> Lim & Wang, *supra* note 141.

<sup>145</sup> Lu, *supra* note 139.

<sup>146</sup> See WIPO Convention, *supra* note 94, art. 4(i) (stating that one purpose of WIPO is to harmonize national trademark legislation).

<sup>147</sup> Zerbo, *Chanel Handed an “Unacceptable” Loss*, *supra* note 135.

<sup>148</sup> Louis Vuitton filed a trademark for the pattern with the EU Office for Harmonisation in the Internal Market on September 18, 1996. See Case T-359/12, *Louis Vuitton Malletier v. Office for Harmonisation in the Internal Market ex rel Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG*, 2015 EUR-Lex (Apr. 21, 2015), ¶ 1. This trademark was granted on August 27, 1998. *Id.* ¶ 5. Like the United States, the

1888 and re-introduced a line bearing it in 1998, with further new iterations introduced for its 120th anniversary in 2008.<sup>149</sup> In 2009, a German company<sup>150</sup> “filed an application” with the EU Office for Harmonisation in the Internal Market (“OHIM”) “for a declaration of invalidity” of Louis Vuitton’s trademark, arguing that it “was descriptive and devoid of any distinctive character[]” and “that it was contrary to public policy or to accepted principles of morality” for Louis Vuitton to possess exclusive rights to it.<sup>151</sup>

The CJEU ultimately upheld OHIM’s ruling and refused to overturn the cancellation of two of Louis Vuitton’s closely related trademark registrations (both depicting their Damier pattern), holding that “the chequerboard pattern, as represented in the contested trade mark [sic], was a basic and banal feature composed of very simple elements” and that “in the absence of features capable of distinguishing it from other representations of chequerboards, [it] was not capable of fulfilling the essential ‘identification’ or ‘origin’ function of a trade mark [sic].”<sup>152</sup> The CJEU further held the check had not acquired secondary meaning as an indicator of source, despite Louis Vuitton’s over 130-year history of its use.<sup>153</sup> Therefore, despite the Damier pattern’s protected status under the Madrid Protocol and the Paris Convention as a “well-known” mark,<sup>154</sup> Louis Vuitton’s long-used and historic pattern<sup>155</sup> is no longer a trademark-protected design within the

---

European Union considers a generic mark unprotectible. See Council Regulation (EC) No. 207/2009 of Feb. 26, 2009 on Community Trade Marks, 78 OJ L. 1 (Mar. 3, 2009), arts. 7(1)(b), 7(3), 52(1)(a), 52(2) (prohibiting trademarks devoid of any “distinctive character”); cf. 15 U.S.C. § 1064(3) (2018) (providing for cancellation of trademarks that become generic).

<sup>149</sup> A *Damier Signature*, LOUIS VUITTON (Oct. 8, 2018), <https://us.louisvuitton.com/eng-us/articles/a-damier-signature> [<https://perma.cc/RMN5-4GYG>].

<sup>150</sup> Case T-359/12, *Louis Vuitton Malletier v. Office for Harmonisation in the Internal Market ex rel Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG*, 2015 EUR-Lex (Apr. 21, 2015), ¶ 6.

<sup>151</sup> *Id.* ¶ 6.

<sup>152</sup> *Id.* ¶ 10.

<sup>153</sup> *Id.* ¶ 113.

<sup>154</sup> See Paris Convention, *supra* note 8, art. 6*bis* (protecting “well-known marks”); see also Madrid Protocol, *supra* note 9, art. 4(2) (extending registration of marks under the Paris Convention to apply under the Madrid Protocol).

<sup>155</sup> See *A Damier Signature*, *supra* note 149 (company’s website explaining that a historic and successful design had been around since the late 19th century).

European Union. Under a more consistently applied system, the regional cancellation of this protection would not have been permitted, as Louis Vuitton maintains protection for the Damier pattern in other Madrid Protocol party States despite the CJEU's decision.

### *E. Adidas & the Three Stripes*

Another brand whose “well-known” mark<sup>156</sup> has not survived a CJEU assessment and, instead, was found to be generic is adidas, the “manufacture[r] and [vendor of] athletic and casual footwear[,]” clothing, and accessories.<sup>157</sup> The trademark at issue in this case—and in a multitude of American cases—is certainly ubiquitous in the West; as an American court explained in 2007, “[a]s early as 1952, adidas began placing three parallel bands on athletic shoes, and in 1994, adidas” registered its first American trademark for the three-stripe design.<sup>158</sup> The brand filed for a trademark for one particular iteration of that three-stripe design with the European Union Intellectual Property Office (“EUIPO”) on December 18, 2013.<sup>159</sup> While the EU cancellation of adidas’s trademark as generic was unexpected due to the mark’s fame in the United States and due to adidas’s continued registrations to the mark in other jurisdictions,<sup>160</sup> the mere presence of a lawsuit involving adidas’s intellectual property is nothing remarkable, as “[t]he brand has filed between 10 and 15 IP-specific suits per year since 2014,” and as in 2016 alone, “adidas filed trademark infringement suits against APL, ECCO, and [the Swiss] footwear brand Bally, and a patent infringement suit against Sketchers.”<sup>161</sup> In short, leading up to this decision, adidas met the burden of policing its mark in the EU and the United States, as was expected of it as the holder of a “well-known” mark under

---

<sup>156</sup> See Paris Convention, *supra* note 8, art. 6bis (dealing with “well-known marks”); see also Madrid Protocol, *supra* note 9, art. 4(2) (extending registration of marks under the Paris Convention to apply under the Madrid Protocol).

<sup>157</sup> Adidas Am., Inc. v. Payless Shoesource, Inc., 529 F. Supp. 2d 1215, 1222 (D. Or. 2007).

<sup>158</sup> *Id.*

<sup>159</sup> See Case T-307/17, Adidas AG v. European Union Intellectual Property Office, 2019 E.C.R. I-427, ¶ 1.

<sup>160</sup> See, e.g., Zerbo, *Adidas Handed a Loss*, *supra* note 1.

<sup>161</sup> Julie Zerbo, *Nike v. Adidas: Which Sportswear Giant is More Legally Aggressive?*, THE FASHION LAW (May 17, 2017), <https://www.thefashionlaw.com/home/nike-v-adidas-which-sportswear-giant-is-more-legally-aggressive> [<https://perma.cc/CE5E-RVEE>].

the Madrid Protocol.<sup>162</sup>

In the summer of 2019, the CJEU General Court cancelled adidas's EUIPO trademark registration "follow[ing] an application to the EUIPO by Belgian shoe company Shoe Branding Europe BVBA, which intervened to annul [a]didas's 2014 registration."<sup>163</sup> In affirming a 2016 "application for declaration of invalidity filed by the intervenor [Shoe Branding Europe BVBA], on the grounds that the mark at issue was devoid of any distinctive character, both inherent and acquired through use[.]" the CJEU stripped an ubiquitous and easily recognizable trademark of its international protection.<sup>164</sup> The CJEU cited to a variety of relatively weak explanations for its decision to uphold the cancellation of adidas's registration—the brand uses the mark in multiple colors despite the registration being in black and white,<sup>165</sup> the stripes were sometimes vertical and sometimes "sloping" (i.e., on an angle),<sup>166</sup> and adidas only introduced evidence of secondary meaning in five of the 28 European Union countries<sup>167</sup>—but the effect is clear: the brand was unable to rely on this status—or on the mark's history of serving as a source-identifying mark for over 65 years<sup>168</sup>—in preserving its registered trademarks in the European Union. Just as with Louis Vuitton,<sup>169</sup> adidas's trademark three-stripe design has been rendered unprotectible as generic in the EU, despite being afforded significant protection in the United States.<sup>170</sup> Again, under a more consistently applied system, the regional cancellation of this

---

<sup>162</sup> See Paris Convention, *supra* note 8, art. 6bis; see also Madrid Protocol, *supra* note 9, art. 4(2) (extending registration of marks under the Paris Convention to apply under the Madrid Protocol).

<sup>163</sup> John Brady Hagen, *A Set-Back for Adidas in Trademark Expansion*, 108 KY. L. J. ONLINE (July 24, 2019), <https://www.kentuckylawjournal.org/blog/index.php/2019/07/24/a-set-back-for-adidas-in-trademark-expansion> [<https://perma.cc/PRA9-W9KA>].

<sup>164</sup> Case T-307/17, *Adidas AG v. European Union Intellectual Property Office*, 2019 E.C.R. I-427, ¶ 6.

<sup>165</sup> *Id.* ¶¶ 67–84.

<sup>166</sup> *Id.* ¶¶ 93–97.

<sup>167</sup> *Id.* ¶¶ 132–51.

<sup>168</sup> *Adidas Am., Inc. v. Payless Shoesource, Inc.*, 529 F. Supp. 2d 1215, 1222 (D. Or. 2007) ("As early as 1952, adidas began placing three parallel bands on athletic shoes.").

<sup>169</sup> See *infra* text accompanying notes 148–55.

<sup>170</sup> Compare *Adidas AG v. European Union Intellectual Property Office*, 2019 E.C.R. I-427, with *Adidas Am., Inc. v. Sketchers USA, Inc.*, 890 F.3d 747 (9th Cir. 2018).

protection would not have been permitted.

*F. Louboutin: A Tale of Two Standards*

Like Louis Vuitton and adidas, the shoe company Christian Louboutin (“Louboutin”) has faced trademark issues in the European Union; the company’s signature red-soled heels<sup>171</sup> have also been the subject of litigation in China and in the United States. Louboutin was successful in defending its trademark at the CJEU, after the Dutch shoe company Van Haren Schoenen BV filed suit to have Louboutin’s trademark on its red soles cancelled as ineligible because it is “devoid of any distinctive character” and because the color is not covered within the ability to protect a “shape which gives substantial value to the goods[.]”<sup>172</sup> The Court upheld Louboutin’s trademark registration, holding that the secondary meaning of the sole color has “given substantial value to the goods” within the meaning of EU trademark law.<sup>173</sup> When the CJEU remanded the remaining challenge by Van Haren Schoenen BV to Louboutin’s Benelux trademark in late 2018, a panel of judges for the District Court of The Hague upheld Louboutin’s registration as valid, “ordered . . . Van Haren [to] pay damages to Louboutin[.]” and required “the Dutch Company to ‘cease all use of the [mark] challenged by Louboutin in this matter[.]’”<sup>174</sup>

While Louboutin has attempted to expand “its quest to gain trademark rights (and registrations) in its famous red shoe sole across the globe,” one of its most recent successes was in China.<sup>175</sup>

---

<sup>171</sup> See *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206, 213 (2d Cir. 2012) (“Louboutin is best known for his emphasis on the otherwise-largely-ignored outsole of the shoe. Since their development in 1992, Louboutin’s shoes have been characterized by their most striking feature: a bright, lacquered red outsole . . . [and as] a result of Louboutin’s marketing efforts, the District Court found, the ‘flash of a red sole’ is today ‘instantly’ recognizable, to ‘those in the know,’ as Louboutin’s handiwork.”).

<sup>172</sup> Case C-163/16, *Christian Louboutin S.A.S. v. Van Haren Schoenen BV*, 2017 E.C.R. I-495, ¶ 5.

<sup>173</sup> *Id.* See *id.* ¶¶ 55, 61–63, 65–67 (recognizing the value of the red soles and that public perception regards the soles as distinctive).

<sup>174</sup> Julie Zerbo, *Christian Louboutin Lands Victory in Long-Running Dutch Red Sole Shoe Case*, THE FASHION LAW (Feb. 6, 2019), <https://www.thefashionlaw.com/home/louboutin-lands-victory-in-long-running-dutch-red-sole-shoe-case> [https://perma.cc/82A7-ZDAQ].

<sup>175</sup> Julie Zerbo, *Chinese Court Okays Single-Color Trademarks in Latest Louboutin Decision*, THE FASHION LAW (Mar. 12, 2019),



Louboutin's Chinese registration based on "a territorial extension in connection with a U.K. trademark application" through the Madrid System filed in Spring 2010 for "the color red (Pantone No. 18.1663TP) applied to the sole of a shoe[]" was initially rejected by the Chinese Trademark Office as "lack[ing] distinctiveness[.]"<sup>176</sup> However, "[f]ollowing unsuccessful appeals before China's Trademark Review and Adjudication Board ('TRAB'), and the Beijing Intellectual Property Court . . . Louboutin took its case to the Beijing High Court[]" in early 2019.<sup>177</sup> This court reversed the earlier denial, finding that the trademark sought was "not a 3-D mark that include[d] the design of the shoe[.]" but rather "a single color and its placement on the bottom of a shoe[.]"<sup>178</sup> accordingly, under Article 8 of the Chinese Trademark Law,<sup>179</sup> the red sole was eligible for trademark registration, provided that the TRAB (to which the case has been remanded) finds Louboutin's red sole to have a sufficiently distinctive character to qualify for protection.<sup>180</sup> While the TRAB has not issued a finding on this issue as of the time of writing this Article, Chinese trademark law experts have stated that "Christian Louboutin may reasonably expect" such a finding.<sup>181</sup> Significantly, this would be the first instance in which the Chinese Trademark Office would approve a single-color trademark.<sup>182</sup>

Unlike in the European Union and in China, the United States Court of Appeals for the Second Circuit was less willing to maintain Louboutin's sweeping trademark on red soles.<sup>183</sup> While the court recognized that "Louboutin's trademark . . . has acquired limited 'secondary meaning' as a distinctive symbol that identifies the Louboutin brand[.]" it "limit[ed] the trademark to uses in which the red outsole contrasts with the color of the remainder of the shoe

---

<https://www.thefashionlaw.com/home/chinese-court-okays-single-color-trademarks-in-latest-louboutin-decision> [<https://perma.cc/9EZB-3EU8>] [hereinafter Zerbo, *Chinese Single-Color Trademarks*].

<sup>176</sup> *Id.*

<sup>177</sup> *Id.*

<sup>178</sup> *Id.*

<sup>179</sup> Trademark Law of the People's Republic of China, art. 8 (2013), *Zhonghua Renmin Gongheguo Falu Huibian* [State Statutory Reporter] (Aug. 30, 2013).

<sup>180</sup> Zerbo, *Chinese Single-Color Trademarks*, *supra* note 174.

<sup>181</sup> *Id.*

<sup>182</sup> *See id.*

<sup>183</sup> *See* Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc., 696 F.3d 206, 213 (2d Cir. 2012).

(known as the ‘upper’).<sup>184</sup> Just as with Louis Vuitton’s Damier check, despite the Louboutin red soles’ status as a “well-known” mark,<sup>185</sup> the exclusive right to all red-soled shoes was limited within one geographic area (the United States), disrupting previously “harmonize[d]” trademarks internationally.<sup>186</sup> These limitations would not be permitted within an international trademark system that has the authority to enforce its multinational registrations uniformly in every jurisdiction.

## V. “Gray Market” Sales

One significant stumbling block that a “harmonized” international trademark system<sup>187</sup> must address—and one which, as explained below, the Madrid Protocol entirely fails to address—is the existence of so-called *gray market* goods. “Gray market goods, also commonly referred to as ‘parallel imports[,]’ are goods or merchandise, [that is] otherwise legitimate and genuine but which, upon importation” to a country other than its intended market of distribution, “may be considered to be unlawful when sold in competition with authorized [domestic] distributors.”<sup>188</sup> There are many ways that gray market goods enter normal streams of commerce. “For example, they might be rejects . . . or overruns[]” of otherwise-authorized goods.<sup>189</sup> “[Gray market] goods are seen as causing less damage to the consumer” than straightforward

<sup>184</sup> *Id.* at 212.

<sup>185</sup> See Paris Convention, *supra* note 8, art. 6bis; see also Madrid Protocol, *supra* note 9, art. 4(2) (extending registration of marks under the Paris Convention to apply under the Madrid Protocol).

<sup>186</sup> WIPO Convention, *supra* note 94, art. 4(i).

<sup>187</sup> *Id.*

<sup>188</sup> Andrew Holland, *Gray Market Goods: An Overview of U.S. Trademark Law to Prevent the Unlawful Importation of Gray Market Goods*, THOITS LAW (last accessed Dec. 21, 2019), <https://www.thoits.com/resource/gray-market-goods-u.s.-trademark-law.pdf> [https://perma.cc/Z2HM-VTTX].

<sup>189</sup> *No Grey Areas in the Supreme Court’s Interpretation of Trade Mark Criminal Offences*, SQUIRE PATTON BOGGS: GENERAL IP & TECH. L. BLOG (Aug. 9, 2017), <https://www.iptechblog.com/2017/08/no-grey-areas-in-the-supreme-courts-interpretation-of-trade-mark-criminal-offences/> [https://perma.cc/4W59-DQEK] [hereinafter *No Grey Areas*] (defining rejects as items produced when “the trade mark owner has licenses a factory to manufacture clothing on its behalf but has subsequently rejected some of those goods because of their poor quality[,]” and defining overruns as items “manufactured to the trade mark owner’s order but in excess of the required amount”).

trademark infringement, “as there is no misrepresentation as to the ultimate manufacturing trade source[,] and often there are complex contractual issues relating to sales contracts” that govern the technical illegality of the sale of these goods.<sup>190</sup>

With the current burden of brand protection under the Madrid Protocol (and under American law as well)—that is to say, the requirement that the trademark owners, themselves, police infringement of their trademarks worldwide—gray market goods can slip through the metaphorical cracks.<sup>191</sup> Indeed, a 2016 Brand Benchmarking survey conducted by the law firm Hogan Lovells revealed that “while most international brand owners invest significant time and money in registering [trademarks], 60% take little or no action in dealing with [gray] market parallel imports.”<sup>192</sup> Furthermore, “more than half (52%) of the 100 international brand owners surveyed cited difficulties of enforcement as their main reason for not taking action against [gray] market goods.”<sup>193</sup> This difficulty stems from a relatively predictable source: as outlined below, there are significant international variances between the law governing whether or not an item is considered a gray market good and whether there is a remedy for the rights holder.<sup>194</sup>

Furthermore, as different countries have adopted different legal

---

<sup>190</sup> *Id.* This Part only considers gray market goods as they relate to authentic trademark-bearing items. For a discussion of the issue of counterfeit items, see *infra* Part VI. Furthermore, gray market goods encompass more than just trademarked goods; for a discussion of the implications of gray market goods in copyright law, see *CBS Inc. v. Sutton Inc.*, 1983 Copyright L. Dec. (CCH) ¶ 25,559 (S.D.N.Y. 1983); Stephen Feingold, *Parallel Importation Under the Copyright Act of 1976*, 17 N.Y.U. J. INT'L L. & POL. 113 (1985). For a discussion of the implications of gray market goods in patent law, see Keith George, *Importation of Articles Produced by Patented Process: Unfair Trade Practices or Infringement?*, 18 GEO. WASH. J. INT'L L. & ECON. 129 (1984).

<sup>191</sup> See Paris Convention, *supra* note 8, art. 6bis; see also Madrid Protocol, *supra* note 9, art. 4(2) (extending registration of marks under the Paris Convention to apply under the Madrid Protocol).

<sup>192</sup> Clare Matheson, *Protecting Trade Marks Against Grey Market Threat*, STRATEGIC RISK (Aug. 3, 2016), <https://www.strategic-risk-europe.com/protecting-trade-marks-against-grey-market-threat/1419274.article> [<https://perma.cc/2FTX-2PGQ>] [hereinafter Matheson].

<sup>193</sup> *Id.*

<sup>194</sup> See, e.g., *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013); *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (2008). These cases both involve copyright infringement and gray market goods, but the same general principles apply in the trademark context.

doctrines of trademark exhaustion,<sup>195</sup> determination of whether a mark is subject to the legal variances between different jurisdictions. The doctrine of trademark exhaustion relates to the “first sale doctrine,” which provides a defense against trademark infringement claims for goods bearing a genuine trademark but which are offered for sale on the secondary market: these goods are genuine and bear genuine trademarks but are not sold at this point by their original manufacturer and/or the owner of the trademarks they bear.<sup>196</sup> By examining the differences between American law, British/European Union law, and Chinese law on gray market goods, this Part attempts to demonstrate not only the difficulties that international companies face in dealing with gray market goods but also potential weaknesses that could be exploited by counterfeiters and other nefarious actors.

### A. American Law

The United States defines gray market goods as “foreign-made articles bearing a genuine trademark or trade name identical with or substantially indistinguishable from one owned or recorded” by an American citizen or American corporation “and imported without the authorization of the U.S. owner.”<sup>197</sup> A 2008 report estimated that “tens of billions of dollars are lost annually to [gray] market sales[]” in the United States,<sup>198</sup> yet, nevertheless, “gray goods may be lawfully sold in the United States if they are identical to their

---

<sup>195</sup> See *infra* text accompanying notes 239–44.

<sup>196</sup> See, e.g., Mark Sommers & Naresh Kilaru, *Material Differences Outside the Gray Market Context*, FINNEGAN (July/Aug. 2009), <https://www.finnegan.com/en/insights/material-differences-outside-the-gray-market-context.html> [<https://perma.cc/6Q5C-FWAX>] (“Under the first-sale doctrine, resellers of genuine goods are not liable for trademark infringement under the theory confusion cannot exist when consumers buy a genuine product.”). See also *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 129 (1947) (quoting *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368) (“A trademark only gives the right to prohibit the use of it so far as to protect the owner’s goodwill against the sale of another’s product as his . . . . When the mark is used in a way that does not deceive the public, we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.”).

<sup>197</sup> 19 C.F.R. § 133.23(a) (2019).

<sup>198</sup> Ronald Dove Jr. & Hope Hamilton, *Combat Grey Market Goods in the US*, MANAGING IP (Nov. 2008), <https://www.cov.com/-/media/files/corporate/publications/2008/11/combatt-grey-market-goods-in-the-us.pdf> [<https://perma.cc/ZQ9V-UKKR>].

U.S. cousins.”<sup>199</sup> There are three forms of gray market goods mentioned within Federal regulations: items are gray market goods if they “bear a genuine trademark or trade name which is[]” (1) applied by an independent licensee, (2) applied by a distinct foreign owner, or (3) subject to the “*Lever*-rule”<sup>200</sup>

### 1. *The Lever Rule*

The *Lever* rule, created in response to a 1993 D.C. Circuit case,<sup>201</sup> “states that if there are physical and material differences between the unauthorized imported goods and the U.S. goods sold under the same trademark or trade name, the U.S. trademark owner can prevent unauthorized importation.”<sup>202</sup> The “physical and material differences” rule is very permissive, and United States Customs regulations provide a non-exhaustive list of factors that may be considered.<sup>203</sup> At first glance, the *Lever* rule would seem to enact a blanket ban on parallel importation to the United States; however, there is an easily met loophole that allows gray market goods to flow almost unimpeded into the United States.<sup>204</sup> “If the unauthorized importer affixes a disclaimer that complies with customs regulations, the goods will be permitted to enter the United States unless the trademark owner seeks protection under the Tariff Act.”<sup>205</sup> Moreover, “[a] trademark owner must apply for *Lever* rule

---

199 Frederick Mendelsohn & Aaron Stanton, *Combating Gray Market Goods*, AM. BAR ASSOC., 19 BUS. L. TODAY 14, 14 (Dec. 2009).

200 19 C.F.R. § 133.23(a) (2019).

201 *Lever Bros. v. United States*, 981 F.2d 1330 (D.C. Cir. 1993).

202 TRADEMARK OWNER’S GUIDE TO PARALLEL IMPORTS IN THE UNITED STATES, INT’L TRADEMARK ASSOC. § II.A (Feb. 2012 ed.) [hereinafter TRADEMARK OWNER’S GUIDE]. See also 19 C.F.R. § 133.23(a)(3) (2019).

203 TRADEMARK OWNER’S GUIDE, *supra* note 202, § III.3 (citing 19 C.F.R. § 133.2(e) (2019)). Examples of such differences, culled from a selection of Customs and Border Patrol reports, include: (1) “measurement of net contents differs,” 42 CUSTOMS BULLETIN & DECISIONS No. 45 (Oct. 30, 2008), at 5–6 (Colgate toothpaste); and “products lack a valid manufacturer’s warranty[.]” 43 CUSTOMS BULLETIN & DECISIONS No. 35 (Aug. 27, 2009), at 43–44 (Chopard and Chopard Genève watches).

204 TRADEMARK OWNER’S GUIDE, *supra* note 202, § II.A.

205 *Id.* The disclaimer, as specified in the Code of Federal Regulations, reads in full: “This product is not a product authorized by the United States trademark owner for importation and is physically and materially different from the authorized product.” 19 C.F.R. § 133.23(b) (2019). Furthermore, “[t]he label must be in close proximity to the trademark as it appears in its most prominent location on the article itself or the retail packaging or container[.]” and “[o]ther information designed to dispel consumer confusion

protection, as [Customs and Border Patrol] will not apply such protection unilaterally.”<sup>206</sup>

## 2. Remedies Offered by U.S. Law

The exceptions to the *Lever* rule aside, United States customs laws offer several means of enforcing the general prohibition on importing gray market goods. First, a trademark holder with a U.S. trademark registered on the Principal Register can bring a claim in Federal district court for violations of Sections 32, 42, and 43(a) of the Lanham Act<sup>207</sup> and violations of Section 526 of the Tariff Act.<sup>208</sup> Gray market trademark-related claims can also constitute a violation of Section 337 of the Tariff Act, granting the International Trade Commission (“ITC”) jurisdiction to investigate the claims.<sup>209</sup> While a claim under the Lanham Act allows a plaintiff to seek an injunction and monetary damages, “such injunctions are enforced by the trademark owner[,]” rather than by Customs and Border Patrol.<sup>210</sup> Furthermore, litigation in Federal court is a time-consuming process, whereas “ITC proceedings are fast[-]paced, typically concluding within 12 to 15 months.”<sup>211</sup> Additionally, while the ITC cannot award monetary damages, its orders “are enforced by [Customs and Border Patrol] and bar the importation of the infringing items.”<sup>212</sup> To best utilize both options, a trademark owner can file both proceedings simultaneously, “although the district court action may be stayed pending the outcome” of the ITC claim.<sup>213</sup>

Beyond these two avenues for relief, for over 30 years some commentators have noted that “[a]lthough no [gray] market case has

---

may also be added.” *Id.*

<sup>206</sup> TRADEMARK OWNER’S GUIDE, *supra* note 202, § II.A. The application that an American trademark owner must submit to request Customs and Border Patrol assistance is one of the most under-valued aspects of trademark protection in the United States. This program is also a feature of American compliance with the 1883 Paris Convention. *See* Paris Convention, *supra* note 8, art. 9; *see also supra* text accompanying notes 83–84.

<sup>207</sup> 15 U.S.C. §§ 1114(1)(a), 1124, 1125(a)(1) (2018).

<sup>208</sup> *See* 19 U.S.C. § 1526 (2018).

<sup>209</sup> *See* 19 U.S.C. § 1337 (2018).

<sup>210</sup> TRADEMARK OWNER’S GUIDE, *supra* note 202, § VI.C.

<sup>211</sup> *Id.* § VI.B.

<sup>212</sup> *Id.*

<sup>213</sup> *Id.* § VI.C. This stay of action is related to the theory of *lis alibi pendens* and its American equivalent, collateral estoppel. *See infra* text accompanying notes 341–48.

been decided on racketeering grounds, some courts have indicated that the Racketeer Influenced and Corrupt Organization Act” (“RICO”) could “provide a basis for obtaining injunctive relief and civil damages.”<sup>214</sup> Federal and state RICO statutes<sup>215</sup> “make[] it unlawful for any person associated with an enterprise affecting interstate commerce to conduct the enterprise’s affairs through a pattern of racketeering activity.”<sup>216</sup> Racketeering predicate crimes include mail fraud (including the trafficking of counterfeit goods “or anything represented to be or intimated or held out to be such counterfeit or spurious article[]”), which is a broad enough definition to encompass gray market goods brought into the United States through parallel importation.<sup>217</sup> For example, in a 1986 parallel importation case involving “over \$650,000 worth of Royal Velvet towels” that were intended for sale in “Central and West Africa[,]” but were sold in the United States by the gray market distributor without the manufacturer’s consent,<sup>218</sup> the court found that the plaintiff had “adequately alleged the existence of an

---

214 Hugh J. Turner, Jr., *Grey Market Litigation in the United States District Courts*, 11 N.C. J. INT’L L. & COM. REG. 349, 366 (1986) [hereinafter Turner].

215 In addition to the Federal RICO statute, 18 U.S.C. §§ 1961–1968 (2018), at present, 32 states have their own RICO statutes. See generally ARIZ. REV. STAT. ANN. §§ 13-2301, 13-2312, 13-2314 (2019); COLO. REV. STAT. §§ 18-17-101–103, 18-17-105 (2019); CONN. GEN. STAT. §§ 53-393–403 (2019); DEL. STAT. ANN. tit. 11, §§ 1501–1511 (2019); FLA. STAT. §§ 772.101–772.04, 895.01–895.03 (2019); GA. CODE ANN. §§ 16-14-1–12 (2019); HAW. REV. STAT. § 842-1–12 (2019); IDAHO CODE § 18-7801–7805 (2019); 740 ILL. COMP. STAT. 175/1–175/8 (2019); IND. CODE §§ 34-6-2-32, 35-45-9-1–6 (2019); IOWA CODE §§ 706A.1–706A.5 (2019); LA. REV. STAT. ANN. §§ 15:1351–1356 (2019); MICH. COMP. LAWS §§ 750.159f–159x (2019); MINN. STAT. §§ 609.901–912 (2019); MISS. CODE ANN. §§ 97-43-1, 97-43-3–3.1, 97-43-5, 97-43-7, 93-43-9, 97-43-11 (2019); NEB. REV. STAT. § 28-1351 (2019); NEV. REV. STAT. § 207.360 (2019); N.J. REV. STAT. §§ 2C:41-1–6.2 (2019); N.M. STAT. ANN. §§ 30-42-1–6 (2019); N.Y. PENAL LAW §§ 460.00–80 (2019); N.C. GEN. STAT. §§ 75d-1–14 (2019); N.D. CENT. CODE §§ 12.1-06.1-01–08 (2019); OHIO REV. CODE ANN. §§ 2923.31–36 (2019); OKLA. STAT. tit. 22, §§ 1401–1419 (2019); OR. REV. STAT. §§ 166.715–735 (2019); 18 PA. CONS. STAT. § 911 (2019); 15 R.I. GEN. LAWS §§ 7-15-1–11 (2019); TENN. CODE ANN. §§ 39-12-201–210 (2019); UTAH CODE ANN. §§ 76-10-1601–1609 (2019); VA. CODE ANN. §§ 18.2-512–517 (2019); WASH. REV. CODE §§ 9A.82.001–902 (2019); WIS. STAT. §§ 946.80–93 (2019).

216 Turner, *supra* note 214, at 366.

217 18 U.S.C. § 1341 (2018). For the complete list of the 27 Federal and eight state law-based crimes considered predicate crimes for RICO purposes, see 18 U.S.C. § 1961(1) (2018).

218 Turner, *supra* note 214, at 366. The case was *Fieldcrest Mills, Inc. v. Congo Agencies, Inc.*, Civ. A. No. 85-0305(D), 1985 WL 6448 (D.N.J. Oct. 1, 1985), *dismissed per stip.* Civ. A. No. 85-0305(D), 1986 WL 12685 (D.N.J. Apr. 21, 1986).

'enterprise' as required in [18 U.S.C. § 1962(c)] by claiming that the U.S. distributor was an active participant and direct beneficiary of the scheme to defraud" the plaintiff.<sup>219</sup> As RICO permits a private right of action through which a successful plaintiff may recover treble damages,<sup>220</sup> such a remedy would provide a strong incentive against the parallel importation of gray market goods into the United States.

### 3. Unresolved Legal Issues

One concern that reliance on the Tariff Act to prevent gray market importation raises in the United States is the risk of antitrust liability for companies who block competitors from importing genuine trademark-bearing goods under Section 1526.<sup>221</sup> Some commentators have argued that this use of customs law could be considered a form of vertical restraint on competition.<sup>222</sup> "Vertical restraints are restrictive distribution schemes that usually involve exclusive dealing by manufacturers or distributors, and are a major cause of resale price maintenance."<sup>223</sup> An example of such an exclusive distribution agreement in the luxury industry would be the handbag and leather good company Goyard, whose wares are sold in the United States *only* through luxury department store Bergdorf Goodman and even then *only* in its flagship Fifth Avenue store in New York City.<sup>224</sup> While such forms of vertical restraint on competition "are not a *per se* violation of antitrust laws, if such restraints result in anticompetitive effects they may violate [S]ection 1 of the Sherman Act, and resale price maintenance is a *per se* violation of [United States] antitrust laws."<sup>225</sup>

---

<sup>219</sup> Turner, *supra* note 214, at 366.

<sup>220</sup> 18 U.S.C. § 1964(c) (2018).

<sup>221</sup> 19 U.S.C. § 1526 (2018).

<sup>222</sup> See, e.g., Robert L. Steiner, *RPM, Distribution Restraints, & the Growth of Discounting: The Importance of Vertical Competition*, 15 ANTITRUST L. & ECON. REV. 73, 76 (1983).

<sup>223</sup> Richard A. Fogel, *Grey Market Goods & Modern International Commerce: A Question of Free Trade*, 10 FORDHAM INT'L L. J. 308, 329 (1986) [hereinafter Fogel].

<sup>224</sup> John Jannuzzi, *Now Open: The Goyard Shop at Bergdorf Goodman*, GQ (Jan. 31, 2014), <https://www.gq.com/story/goyard-men-s-shop> [<https://perma.cc/UD7C-83YJ>].

<sup>225</sup> Fogel, *supra* note 223, at 329–30 (*italics added*). For an analysis of how vertical restraints do not violate antitrust law *per se*, see *Continental T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36, 48–51 (1977). For a discussion of how anticompetitive effects of these restraints may violate the Sherman Antitrust Act, 15 U.S.C. §§ 1–38 (2018), see *Continental T.V., Inc.*, 433 U.S. at 50; see also *Donald B. Rice Tire Co. v. Michelin Tire*



Businesses, particularly luxury businesses, attempt to stifle gray market goods because their distributors “generally charge lower prices[]” for the items they sell—even luxury goods.<sup>226</sup> While the increased accessibility of these goods at a lower price could lead to a larger market for their sale, this phenomenon is precisely what luxury brands seek to avoid. Instead, they aim to have their products fall into an economic category known as “Veblen Goods” or status goods, which increase in demand the more expensive they become.<sup>227</sup> Accordingly, the introduction of gray market goods at a lower price point goes directly against the most beneficial scenario for luxury manufacturers; therefore, to impose vertical market restraints in a manner calculated to prevent the development of this market could be considered anticompetitive behavior.<sup>228</sup> Complications of this nature can arise when a legitimate business

Corp., 638 F.2d 15, 16 (4th Cir.), *cert. denied*, 454 U.S. 864 (1981). For analysis of how resale price maintenance violates antitrust law *per se*, see Fogel, *supra* note 223, at 329–30; see also *Battle v. Lubrizol Corp.*, 673 F.2d 984, 988–90 (8th Cir. 1982), *aff’d on reh’g sub. nom.*, *Battle v. Watson*, 712 F.2d 1238 (8th Cir. 1983) (en banc), *cert. denied*, 466 U.S. 931 (1984).

<sup>226</sup> Fogel, *supra* note 223, at 336.

<sup>227</sup> See generally T.B. VEBLEN, *THE THEORY OF THE LEISURE CLASS: AN ECONOMIC STUDY OF INSTITUTIONS* (1st ed. 1899) (explaining the concept of Veblen goods); see also generally Franck Renard & Jonathan Vickers, *The Marketing of Luxury Goods: An Exploratory Study – Three Conceptual Dimensions*, 3 *MARKETING REV.* 459 (2003); H. Leibenstein, *Bandwagon, Snob, & Veblen Effects in the Theory of Consumers’ Demand*, 64 *Q. J. ECON.* 183 (1950). In addition to being Veblen goods, whose demand increases as price increases, luxury goods—particularly handbags—also display counter-intuitive economic data in regard to branding. A 2019 report from Professors Jonah Berger (of the University of Pennsylvania’s Wharton School of Business) and Morgan Ward (of Emory University’s Goizueta School of Business) found that while cheap handbags often display prominent branding, “for every \$5,000 increase in price, the size of the logo or other branding is reduced by an average of one centimeter.” Julie Zerbo, *The Price-to-Logo Correlation that Underlies the Market’s Most Expensive Handbags*, *THE FASHION LAW* (May 28, 2019), <https://www.thefashionlaw.com/home/the-price-logo-size-equation-that-underlies-the-markets-most-expensive-handbags> [<https://perma.cc/6L57-8DX4>]. The same is true for sunglasses and other accessories, “a lack of prominent branding often proves a draw for consumers that want to distance themselves from market saturation and instead, adopt ‘subtler signals’ of wealth.” *Id.* The report also found that “large-scale logo use also tends to give rise to more prevalent counterfeiting.” *Id.* For a further discussion of the price-to-branding correlation in luxury fashion, see Hillary Hoffower, *There’s a Direct Link Between the Cost of a Luxury-Goods Product & the Size of its Logo, but it’s Not What You Expect*, *BUS. INSIDER* (May 26, 2019), <https://www.businessinsider.com/discreet-wealth-logos-status-symbols-cost-louis-vuitton-goyard-2019-5> [<https://perma.cc/SV3F-48QE>].

<sup>228</sup> Fogel, *supra* note 223, at 329–30.

files a claim against a gray market importer under Section 1526,<sup>229</sup> and in response, the gray market distributor “allege[s] a relationship in restraint of trade as an affirmative defense and counterclaim in a trademark infringement action.”<sup>230</sup> Manufacturers, importers, and distributors of genuine trademarked goods and the mark holders themselves must be aware of these risks and proceed accordingly in policing their marks in the United States.

### *B. British & European Union Law*

In the United Kingdom, “[c]riminal actions in trademark law are brought under Section 92” of the Trade Marks Act of 1994 (“TMA 1994”).<sup>231</sup> Section 92(1) of the TMA 1994

makes it an [offense] to apply to goods or their packaging a sign identical to, or likely to be mistaken for, a registered trade mark, or to sell (or to keep in view to selling) goods bearing such a sign, in each case without the consent of the trade mark owner and with a view to gain or with intent to cause loss.<sup>232</sup>

Originally, this statute was considered to apply only to counterfeit goods.<sup>233</sup> In 2017, however, the British Supreme Court examined the question of whether gray market goods “fell into the ambit of the criminal [offenses] set out in Section 92 of the TMA of 1994.”<sup>234</sup> In the combined cases of *R v. M*, *R v. C*, *R v. T*,<sup>235</sup> the Court determined “that from a literal reading of the [TMA 1994] it was apparent that ‘[gray] goods’ fall under the scope of Section 92.”<sup>236</sup> The Court explained that in the case of gray market goods—particularly in the case of an overrun—it is often near-impossible to distinguish “between the goods marketed with the proprietor’s authority and those which were a backdoor venture on the part of

---

<sup>229</sup> 19 U.S.C. § 1526 (2018).

<sup>230</sup> Turner, *supra* note 214, at 356. For an example of such circumstances, see *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 599 F. Supp. 1380, 1401 (E.D.N.Y. 1984).

<sup>231</sup> Julia House, *Crime & Punishment: Trademark Infringement in the Grey Market*, ALBRIGHT IP LTD. (Nov. 23, 2017), <https://www.albright-ip.co.uk/2017/11/crime-and-punishment-trademark-infringement-in-the-grey-market/> [<https://perma.cc/UHE3-4H2Z>] [hereinafter House].

<sup>232</sup> *No Grey Areas*, *supra* note 189. See Trade Marks Act 1994, Part III, § 92(1).

<sup>233</sup> House, *supra* note 231.

<sup>234</sup> *Id.*

<sup>235</sup> [2017] UKSC 58.

<sup>236</sup> House, *supra* note 231.

the manufacturer and subsellers[.]”<sup>237</sup> Unlike the legal goods, however, the gray market goods “involve deception of the buying public[.]” as “[d]efendants who set out to buy up [gray] market goods to make a profit on re-sale do so because the object is to cash in on someone else’s trade mark [sic].”<sup>238</sup>

One complication to United Kingdom and European Union laws on gray market goods is the role of the doctrine of trademark exhaustion. “Under [this] doctrine a trade mark [sic] owner’s rights are ‘exhausted’ following the first authorised [sic] sale of the goods and the trade mark [sic] owner loses the right to prevent further trade in those goods.”<sup>239</sup> There are two forms of the exhaustion doctrine that countries rely on in policing gray market goods and smuggling: international exhaustion, which “means the exhaustion of intellectual property rights applies worldwide, regardless of where the first sale is made[;]” and domestic exhaustion, which “only exhausts a trade mark [sic] owner’s rights in the market in which the first sale occurs.”<sup>240</sup> Before joining the European Union, “the U.K. adopted a policy of international exhaustion.”<sup>241</sup> However, as “[p]art of the free movement of goods within the EU it was necessary for all EU member states (including the U.K.) to adopt a policy of ‘regional’ exhaustion, meaning once goods have been traded within the EU the owner’s right to object, based on trade mark [sic] rights, are exhausted across all EU member states[.]”<sup>242</sup> If the U.K. returns to the international exhaustion doctrine upon leaving the European Union,<sup>243</sup> the change “could lead to an increase in [gray] market trading and have a significant impact on the brand

---

<sup>237</sup> *R v. M, R v. C, R v. T*, [2017] UKSC 58, Judgment of Lord Hughes, ¶ 18. Lord Hughes continued that while in all other aspects the goods may be identical, “no doubt in many cases the circumstances of the exit from the factory and of the subsequent sale will often be telling.” *Id.*

<sup>238</sup> *Id.*

<sup>239</sup> Matheson, *supra* note 192.

<sup>240</sup> *Id.*

<sup>241</sup> *Id.*

<sup>242</sup> *Id.*

<sup>243</sup> At the time of writing this Article, the United Kingdom has voted to leave the European Union and European Common Market, but this process (“Brexit”) has yet to be completed. See generally Bronwen Weatherby, *Brexit News Latest: EU Officials Sign-off Withdrawal Agreement Bill*, EVENING STANDARD (Jan. 24, 2020), <https://apple.news/AJGtg4aXISWmsuF-MXnDbw> [<https://perma.cc/EFX5-YP7K>].

owners' rights and profits."<sup>244</sup>

### *C. Chinese Law & the Laws of Other Jurisdictions*

Gray market goods are a significant issue in China and other Asian countries. In the previously cited 2016 survey from Hogan Lovells that found that "more than half (52%) of the 100 international brand owners surveyed cited difficulties of enforcement as their main reason for not taking action against [gray] market goods[,]” researchers found that “Asian companies were less proactive than Western companies, with 71% taking little or no action[]” against gray market goods.<sup>245</sup> Further complicating this issue is the fact that “[t]he attitudes and system designs of the US, Japan, the EU[,] and China towards the treatment of parallel import of trademarked goods and the exhaustion of international rights are not completely identical.”<sup>246</sup> While the U.K. (at the time of writing) and the EU rely on the regional exhaustion doctrine<sup>247</sup> and the United States relies on domestic exhaustion under the territoriality theory of trademark law,<sup>248</sup> Chinese trademark law is silent on which model applies.<sup>249</sup> Unfortunately, there is not one “default” doctrine that applies—rather, the TRIPS Agreement “leaves signatories the sovereign space to make their own determinations on the exhaustion of rights” in trademarks and other intellectual property.<sup>250</sup> Accordingly, it remains at this time unclear how trademark owners can address the brand protection threats that they face in China and other similarly situated jurisdictions.<sup>251</sup>

## **VI. Fakes & Confusion Risks**

Beyond adverse legal proceedings relating to their international trademark registrations and issues arising from the sale of gray

<sup>244</sup> Matheson, *supra* note 192.

<sup>245</sup> *Id.*

<sup>246</sup> Han Yufeng & Lu Lei, ‘Grey Market’ IP Issues on Trademarks Back in Limelight, CHINESE BUS. L. J. (June 30, 2017), <https://www.vantageasia.com/grey-market-ip-issues-on-trademarks-back-in-limelight/> [<https://perma.cc/H3GX-DS9W>] [hereinafter Yufeng & Lei].

<sup>247</sup> *See id.*

<sup>248</sup> *See, e.g.*, 15 U.S.C. § 1124 (2018) (describing Lanham Act protections against parallel importation); 19 C.F.R. §§ 133.23 (banning parallel imports to United States).

<sup>249</sup> Yufeng & Lei, *supra* note 246.

<sup>250</sup> *Id.* *See generally* TRIPS Agreement, *supra* note 8.

<sup>251</sup> Yufeng & Lei, *supra* note 246.

market goods, famous luxury brands are perpetually engaged in the fight against counterfeit goods.<sup>252</sup> This concern is anything but ill-founded. In a 2018 study conducted by the International Trademark Association that “polled 1250 Americans and 403 Chinese consumers between the ages of 18 and 23[,]” researchers uncovered that 71% of Americans in this age range “have purchased a counterfeit good over the past year,” and 84% “of their Chinese counterparts” have done the same.<sup>253</sup> This same survey further revealed that “35 percent of the Americans [surveyed] said that they ‘expect to purchase fewer counterfeit goods in the future,’” leaving 36% who expected to continue in their purchase of counterfeits, “whereas 70 percent of Chinese consumers surveyed revealed that they plan to buy a smaller number of fakes going forward[,]” leaving only 14% who expect to continue apace in their purchase of counterfeits.<sup>254</sup> With 2019 estimates “based on 2016 customs seizure data” valuing “imported fake goods worldwide” at \$509 billion, it is unsurprising that fashion companies are concerned about knock-offs on the market.<sup>255</sup>

With the rise of luxury resale websites like The RealReal and What Goes Around Comes Around, the focus of some brands (like Chanel) has shifted from traditional brand protection to a strategy of suing and demanding (1) that these websites cease to operate in a manner which (allegedly) deceives consumers into believing that the companies are in any way affiliated with luxury companies like Chanel, and (2) that these companies not state that they can guarantee the authenticity of the products they sell.<sup>256</sup> Despite this

---

<sup>252</sup> See *supra* Parts IV–V.

<sup>253</sup> Julie Zerbo, *71 Percent of American Gen-Zers are Buying Counterfeits, Compared to 84 Percent of Their Chinese Counterparts*, THE FASHION LAW (July 22, 2019), <https://www.thefashionlaw.com/home/71-percent-of-american-gen-zers-are-buying-counterfeits-compared-to-84-percent-of-their-chinese-counterparts> [<https://perma.cc/34VH-CJL6>] [hereinafter Zerbo, *71 Percent of American Gen-Zers*].

<sup>254</sup> *Id.*

<sup>255</sup> *Trade in Fake Goods is Now 3.3% of World Trade and Rising*, ORG. FOR ECON. CO-OPERATION & DEV. (OECD) (Mar. 18, 2019), <https://www.oecd.org/newsroom/trade-in-fake-goods-is-now-33-of-world-trade-and-rising.htm> [<https://perma.cc/HK4D-E7YG>].

<sup>256</sup> See, e.g., Chanel, Inc. v. What Goes Around Comes Around, LLC, Complaint, No. 1:18-CV-02253 (S.D.N.Y. Mar. 14, 2018); Chanel, Inc. v. The RealReal, Inc., Complaint, No. 1:18-CV-10626-VSB (S.D.N.Y. Nov. 14, 2018). See also Julie Zerbo, *The Rocky Relationship Between Luxury Resale and (Some) Luxury Brands*, THE FASHION LAW (Dec. 19, 2018), <https://www.thefashionlaw.com/home/relationship-between-luxury-re-sale-luxury-brands-is-rocky> [<https://perma.cc/4BDG-P46E>] [hereinafter Zerbo, *Rocky*].

new-found interest in the possibility of counterfeit goods entering the market through the resale market,<sup>257</sup> there are other significant—and less high-profile—areas in which brands have focused less attention, despite a similar threat of consumer deception. Two of these areas are the role of trade dress infringement of well-known brands in the international fashion market and the threat to well-known marks posed by so-called “legal” fakes.

### *A. Trade Dress Infringement Worldwide*

Many of the issues involved in enforcement of international trademark law deal with direct trademark infringement *qua* trademark infringement. To confine a discussion of the issues that haute couture faces in this regard *solely* to trademark infringement, however, ignores a significant aspect of the law (trade dress) and a significant aspect of the appeal of luxury goods (the appeal to consumers of a luxury treatment during their shopping experience). In addition to direct trademark infringement, brands rely on trade dress protection of their goods, their stores, and their websites.<sup>258</sup> American federal law has recognized trade dress as protectable under the Lanham Act (when they can show acquired distinctiveness) since 1992;<sup>259</sup> European Union law similarly recognizes distinctive trade dress.<sup>260</sup> In China, however, trade dress

---

*Relationship*]; Julie Zerbo, *The RealReal Responds to Chanel Lawsuit: These “Anti-Consumer Efforts Must Be Rejected,”* THE FASHION LAW (Jan. 30, 2019), <https://www.thefashionlaw.com/home/the-realreal-responds-to-chanel-lawsuit-these-anti-consumer-efforts-must-be-rejected> [<https://perma.cc/SJL6-LSQ9>]; Julie Zerbo, *Counterfeits? What Counterfeits?, Asks What Goes Around Comes Around in Chanel Suit,* THE FASHION LAW (May 21, 2019), <https://www.thefashionlaw.com/home/counterfeits-what-counterfeits-asks-what-goes-around-comes-around-in-chanel-suit> [<https://perma.cc/6RT4-K7PT>] [hereinafter Zerbo, *Counterfeits?*].

<sup>257</sup> In the two lawsuits it has filed against luxury resale sites, Chanel had identified potential counterfeits, but in one case the item in question “was not sold by” the website, which “ha[d] nothing to do with the sale[,]” Zerbo, *Counterfeits?*, *supra* note 256; in the other case, “the luxury resale site has been able to tie the specific handful of bags that Chanel labeled in its complaint as counterfeit back to the brand[] itself,” Zerbo, *Rocky Relationship*, *supra* note 256.

<sup>258</sup> See *supra* text accompanying notes 59–67.

<sup>259</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 763–64 (1992).

<sup>260</sup> See Council Regulation (EC) No. 6/2002 of Dec. 12, 2001 on Community Designs, 3 OJ L. 1 (Jan. 5, 2002); Council Regulation (EC) No. 40/94 of Dec. 20, 1993 on the Community Trade Mark Law, 11 OJ L. 11 (Jan. 14, 1994), art. 4; Directive No. 98/71/EC of the European Parl. & of the Council of Oct. 13, 1998 on the Legal Protection of Designs, 289 OJ L. 28 (Oct. 28, 1998); First Council Directive (EEC) 89/104/EEC of Dec. 21 1988

is not recognized *per se* in the trademark laws, but courts have recognized situations in which it can be protected.<sup>261</sup> In all of these regions, however, brands have struggled to protect and enforce the “overall commercial image of [the] product or service” they offer.<sup>262</sup> Some of these problems have resulted from difficulty in protecting the designs of their products themselves, while others have arisen as a result of intentional copycats seeking to deceive consumers.

### 1. *Loius Vuitton & Plada*

In recent years, some companies—particularly Louis Vuitton, Chanel, Gucci, and Prada<sup>263</sup>—have faced serious threats from professional copycats who go to great lengths to profit off of these brands’ goodwill. A particularly striking example of such threats are the stores that briefly appeared in China in Summer 2018: a series of “roomy, resplendent-looking stores displaying ‘Louis Vuitton’ branding in a busy commercial hub in Renhuai, China.”<sup>264</sup>

---

to Approximate the Laws of Member States Relating to Trade Marks, 40 OJ L. 1, (Feb. 11, 1989), art. 2. See generally TRADE DRESS PROTECTION IN EUROPE, REPORT PREPARED BY THE EUROPEAN SUBCOMMITTEE OF THE TRADE DRESS COMMITTEE 2004–2005 (Fabio Angelini et al. eds., Sept. 2007).

<sup>261</sup> See, e.g., *Zhonghua Renmin Gongheguo Falu Huibian* [Trademark Law of the People’s Republic of China] art. 8 (Aug. 30, 2013) (recognizing trademarks in three-dimensional marks, including, *inter alia*, the décor of a store); *Zhonghua Renmin Gongheguo Falu Huibian* [Law Against Unfair Competition of the People’s Republic of China] art. 5(2) (Sept. 2, 1993); Xuri Bao, *China: Strengthening Trade Dress Protection in China*, WORLD TRADEMARK REV. (May 1, 2017), <https://www.worldtrademarkreview.com/portfolio-management/china-strengthening-trade-dress-protection-china> [<https://perma.cc/C7AW-PAGA>].

<sup>262</sup> *Trademark Basics: Glossary*, *supra* note 37 (defining trade dress).

<sup>263</sup> On social media sites like Instagram, where a Spring 2019 report estimated that “more than 50,000 accounts post[] more than 65 million posts and an average of 1.6 million Stories every month devoted exclusively to the sale of fakes[,]” the most popular brands “featured in images and videos” posted to these counterfeiting accounts “are Louis Vuitton, Chanel and Gucci, which were respectively featured/mentioned in 21 percent, 19 percent and 14 percent of the posts reviewed[.]” Julie Zerbo, *Instagram Is the “Top Showcase Platform for Counterfeiters” on the Web*, THE FASHION LAW (Apr. 29, 2019), <https://www.thefashionlaw.com/home/instagram-is-the-top-showcase-platform-for-counterfeiters-on-the-web> [<https://perma.cc/J6KU-FLMC>]. On their own, “internet sales of fakes account[] for an estimated \$30.3 billion in losses to luxury brands each year[.]” *Id.*

<sup>264</sup> Mikelle Leow, *Uncanny ‘Loius Vuitton’ & ‘Plada’ Stores Pop Up in Chinese Cities, Fool Shoppers*, DESIGN TAXI (Sept. 7, 2018), <https://designtaxi.com/news/401399/Uncanny-Loius-Vuitton-Plada-Stores-Pop-Up-In-Chinese-Cities-Fool-Shoppers/> [<https://perma.cc/P9AB-CDHR>].

While “[o]n first inspection, the boutiques’ aesthetics appear to come from legitimate retailers”<sup>265</sup> and the storefronts “bore huge photos of models posing with legit[imate]-looking products while the shelves were packed with posh handbags and accessories[,]” the names betrayed the truth: “[o]ne shop called itself ‘Loius Vuitton,’ the other ‘Plada.’”<sup>266</sup> Everything for sale inside was counterfeit.<sup>267</sup>

While counterfeit goods bearing misspelled brand names is unsurprising—and can even be an intentional effort by the counterfeiter to avoid liability<sup>268</sup>—and entire fake boutiques like these two stores are not unheard of,<sup>269</sup> the size of the stores themselves and the quality of their advertisements was impressive.<sup>270</sup> Fake stores have been found all throughout China; however, since authentic “[l]uxury stores are more abundant in highly-developed cities like Beijing and Shanghai,”<sup>271</sup> these types of frauds “are most prevalent in third-and fourth-tier cities, where demand is often not met” by legitimate retailers.<sup>272</sup> Due to a lack of market presence by the genuine retailer in these cities, locals “may not have had enough exposure to the actual brands to tell the difference, making it easier for businesses to pull off the deceptions.”<sup>273</sup>

<sup>265</sup> *Id.*

<sup>266</sup> Daniel Thomas, *Would You Buy a Handbag From Plada or Loius Vuitton?*, BBC NEWS (Nov. 20, 2018), <https://www.bbc.com/news/business-46224431> [<https://perma.cc/EQ4M-72YE>].

<sup>267</sup> *Id.*

<sup>268</sup> Zigor Aldama, *Is That a Loius Vuitton? No, It's Plada: China's Knock-Off Economy*, INKSTONE (Aug. 31, 2018), <https://www.inkstonenews.com/business/how-chinese-counterfeiters-are-making-money-street-and-online/article/2162237> [<https://perma.cc/AT65-PPRP>] (explaining that counterfeiters “try to avoid a lawsuit by slightly changing the name, but that’s usually a hopeless strategy”).

<sup>269</sup> *Id.* (“We often find fake shops like these.”).

<sup>270</sup> *Id.* (“[T]he size, in this case, was surprisingly big[.]”).

<sup>271</sup> Leow, *supra* note 264.

<sup>272</sup> Aldama, *supra* note 268.

<sup>273</sup> Leow, *supra* note 264. See also Martina Rossi, *In Cina ci Sono delle Boutique Chiamate PLADA e LOIUS VUITTON*, DARLIN (Aug. 31, 2018), <https://www.darlin.it/lifestyle/cina-plada-loius-vuitton/> [<https://perma.cc/6DSY-W5M4>] (“Chi frequenta le boutique, saprebbe riconoscere la differenza. Ma le persone che vivono nel quartiere in cui sono stati aperti Loius Vuitton e Plada non avrebbero sufficiente esposizione ai reali brand da riconoscere la differenza con le fake boutique.”) (Author’s translation: Those who frequent stores [such as Louis Vuitton or Prada] would recognize the difference. But the people who live in the neighborhood where Loius Vuitton and Plada were opened would not have enough exposure to the real brands to recognize the difference).



In the case of these two boutiques, two days after a journalist contacted Louis Vuitton, “[Louis Vuitton] employees in Shanghai found the developers and threatened legal action[.]”<sup>274</sup> and “[a]uthorities closed down the fake Louis Vuitton and Prada shops in Renhuai within days[.]”<sup>275</sup> Nevertheless, while “brick-and-mortar stores are easy to spot and close down,” online schemes of this kind are far harder to detect.<sup>276</sup> “Europol estimates that 86% of fakes originate in China[.]” accounting for “around 12.5% of China’s exports” per annum, according to a 2013 Organization for Economic Cooperation and Development report.<sup>277</sup> According to that same report, “the United States is the biggest destination of these counterfeit products, at 20% of the total market, followed by Italy, at 15%, and France at 12%.”<sup>278</sup> Domestic purchases in China are also a massive loss for the genuine retailers: “as of 2018, Chinese Gen-Z consumers were spending an average of \$7,267 on authentic luxury goods per year[.]”<sup>279</sup> As these fake boutiques often shut down—and the owners disappear—before any charges can be filed, “Loius Vuitton and Plada are proving harder to eradicate than their real versions might like.”<sup>280</sup> These fake stores are a serious impediment to the ability of well-known fashion brands to ensure their own exclusive usage of their trademarks abroad, despite the rights they are supposedly afforded under the Madrid Protocol and domestic trademark statutory schemes.

### B. “Legal” Fakes

The most troubling trend that luxury companies have had to address in the past decade—with the risk to incur greater losses than trademark infringement, gray market parallel importation, or even counterfeiting *qua* counterfeiting—is the emergence of so-called “legal” fakes.<sup>281</sup> At first blush, “[t]he term ‘legal fake’ seems

---

with fake boutiques.).

<sup>274</sup> Aldama, *supra* note 268.

<sup>275</sup> Thomas, *supra* note 266.

<sup>276</sup> Aldama, *supra* note 268.

<sup>277</sup> *Id.*

<sup>278</sup> *Id.*

<sup>279</sup> Zerbo, *71 Percent of American Gen-Zers*, *supra* note 253.

<sup>280</sup> Aldama, *supra* note 268.

<sup>281</sup> See Silvia Grazioli, *Legal Fakes and the Shopping Experience – Italy’s Fashion Challenges*, WORLD TRADEMARK REV. (June 29, 2018),

inherently contradictory — after all, how can a brand be both ‘legal’ and ‘fake’?”<sup>282</sup> The term first started to appear in 2013; at its most basic, “[a] ‘legal fake’ is a legal copy of a brand, where ‘legal’ indicates that the fake brand is a trademark (albeit, perhaps, with slight graphical modifications compared to the original) registered in a country where the original mark has yet to be launched.”<sup>283</sup> As one expert in intellectual property law and fashion stated, the phrase “‘legal fakes’ has no foundation in trademark law in the U.S. or elsewhere, and [one] will not find it mentioned in legal textbooks, case law, or scholarship[.]”<sup>284</sup> Victims of these schemes include streetwear brands like Boy London, Kith, Supreme, and Pyrex, and “[i]n some cases, the success of these local, legal fakes means they have essentially supplanted the original brands” in that country.<sup>285</sup>

As “[m]any jurisdictions, including Singapore,” China, and some EU nations, “adopt the first-to-file system,” nefarious actors seeking to create “legal” fakes have an easy means to legitimize their (otherwise illegal) activities in that country.<sup>286</sup> “As such, if the original brand owner has not registered its trade mark in a foreign jurisdiction, another party may race to the trademark office to obtain a [registration] in that country first[.]” which “can result in the scenario of two separate companies in two countries operating under the same brand.”<sup>287</sup> In theory, countries that are party to the Paris Convention have been required to prevent this type of counterfeiting since the 1880s; under Article 6*bis*, “[t]he countries of the Union undertake, ex officio . . . to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to

---

<https://www.worldtrademarkreview.com/brand-management/legal-fakes-and-shopping-experience-italys-fashion-challenges> [<https://perma.cc/5ZRS-28N8>].

<sup>282</sup> Lorraine Tay et al., *The Phenomenon of “Legal Fakes”: A Supreme Contradiction?*, BIRD & BIRD LLP: IP CASE UPDATE (Feb. 2019), <https://www.twobirds.com/en/news/articles/2019/singapore/the-phenomenon-of-legal-fakes-a-supreme-contradiction> [<https://perma.cc/9YSX-BJDH>].

<sup>283</sup> Grazioli, *supra* note 281.

<sup>284</sup> Julie Zerbo, *Foreign Trademarks, Legal Feuds & Fake News: Supreme v. Supreme Italia*, THE FASHION LAW (Apr. 9, 2019), <https://www.thefashionlaw.com/home/foreign-trademarks-legal-feuds-and-fake-news-supreme-v-supreme-italia> [<https://perma.cc/EH5W-CG3B>] [hereinafter Zerbo, *Foreign Trademarks, Legal Feuds*].

<sup>285</sup> Grazioli, *supra* note 281.

<sup>286</sup> Tay et al., *supra* note 282.

<sup>287</sup> *Id.*

create confusion, of a" well-known mark.<sup>288</sup> Unfortunately, however, the proliferation of "legal" fakes speaks to the unwillingness, lack of awareness, or sheer inability of many countries to uphold this obligation, as well as the lack of international enforcement that brands have in the face of these direct treaty violations. Furthermore, these goods, manufactured in one country and shipped to another, implicate a significant complication to other considerations involved with gray market goods: a brand must not only police whether the goods imported to a country are being imported in a legal manner and under their authorization but also whether these goods imported by a third-party distributor are even genuine or if instead they are so-called "legal" fakes produced in a third party country where the genuine manufacturer lacks trademark protection.<sup>289</sup>

Given that experts in counterfeit good detection have stated that "[w]e are now at a point where the fakes are almost identical to the real . . . where they are almost 99 percent identical[.]" the threat of near-identical products bearing a legally-applied trademark matching the bona fide brand owner's mark is almost an existential threat to the luxury industry itself.<sup>290</sup> As some of these goods are even "made in exactly the same factories, with exactly the same raw materials" as authentic goods, "it should come as little surprise that it is becoming increasing[ly] difficult—even for experts—to distinguish between authentic goods and counterfeit ones."<sup>291</sup> Indeed, "if a fake is good, it can be hard for even the company to distinguish it from the real, though they have covert, as well as overt, ways of doing that[.]"<sup>292</sup> On their websites, many

<sup>288</sup> Paris Convention, *supra* note 8, art. 6bis.

<sup>289</sup> For a full discussion of gray market goods, see *supra* Part V.

<sup>290</sup> Julie Zerbo, *Nowadays, Counterfeit Goods Are "Almost Identical" to the Real Thing*, THE FASHION LAW (May 24, 2018), <https://www.thefashionlaw.com/home/counterfeit-goods-are-almost-identical-the-real-thing> [<https://perma.cc/J7MQ-7N4N>].

<sup>291</sup> *Id.*

<sup>292</sup> Deborah Jacobs, *How to Spot a Fake Designer Handbag*, FORBES (Jan. 1, 2013), <https://www.forbes.com/sites/deborahljacobs/2013/01/01/how-to-spot-a-fake-designer-handbag/#cdc40fd671fd> [<https://perma.cc/947W-MSP8>] ("For example, the number of stitches per inch in a seam may be a trade secret, and with items like Coach bags that have serial numbers, they can easily tell if it's for real."). From personal in-house experience at a luxury fashion company, the Author (who received brand protection training in the scope of his employment) can confirm that this is accurate. However, these measures are at best imperfect: in one example, a Louis Vuitton bag that a Forbes journalist sought to

counterfeiters and producers of “legal” fakes “have professional sounding names; include pictures that look like the real thing (those pictures may even violate copyright [laws]); and price merchandise so it looks like they’re discounting the real thing, rather than overcharging for a knockoff.”<sup>293</sup>

### *1. Supreme v. Supreme Italia*

The most assiduous of these counterfeiters, as well as the company behind the first uses of the phrase “legal fake” in the media, is International Brand Firm (“IBF”), whose subsidiary Supreme Italia has risen to prominence over its aggressive trademark squatting strategy targeting the streetwear brand Supreme New York (“Supreme”).<sup>294</sup> “By way of a brief background, Supreme New York began in downtown Manhattan in 1994 and is considered by many to be a cult streetwear label, prized for its exclusivity[]” and by some estimates valued at up to one billion dollars.<sup>295</sup> While Supreme sells its merchandise exclusively at its eleven retail locations worldwide, “via its website[,] and at [luxury department store] Dover Street Market, often in small batches released in weekly ‘drops,’” IBF “and a series of up to eight affiliated companies[]” have “brazenly set up Supreme-branded storefronts and websites in Italy, Spain and China” and have “filed trademark registrations using the word ‘Supreme’ and versions of its logo in as many as 50 countries including Spain, Portugal[,] and Israel.”<sup>296</sup>

While “[i]n the 13 months ending in January 2018, Supreme generated £63 million (\$83 million) in sales in the U.K., Europe, and other regions outside the United States,” in 2017 alone, “IBF generated £514,000 (about \$679,000) in revenue,” with significant

---

authenticate was declared a likely fake by Susan Scafidi, the head of the Fashion Law Institute at Fordham Law School, only for the original purchaser of the bag to contact Forbes to explain that “she bought the bag at the Louis Vuitton boutique on Union Street [in San Francisco] in 2007 and that it has never been altered[.]” the original owner even provided Forbes with an authentic receipt “showing that she paid \$1,120” for the bag. *Id.*

<sup>293</sup> *Id.*

<sup>294</sup> Zerbo, *Foreign Trademarks, Legal Feuds*, *supra* note 284.

<sup>295</sup> Tay et al., *supra* note 282.

<sup>296</sup> Chantal Fernandez, *Supreme Breaks Silence on ‘Criminal’ Global Counterfeiting Menace*, BUS. OF FASHION (Apr. 3, 2019), <https://www.businessoffashion.com/articles/professional/supreme-breaks-silence-on-criminal-global-counterfeiting-menace> [https://perma.cc/5C8Z-8FSG].

growth in the following two years having been predicted based on “its plan to open new distribution channels[.]”<sup>297</sup> Though IBF still makes significant profits over its hijacking of Supreme’s trademark and brand goodwill, “[a]fter a series of civil and criminal suits in 2017, Italian and San Marino courts ordered an injunction against IBF and its use of the Supreme” trademark, “and police started seizing counterfeit product the same year.”<sup>298</sup> In March 2018, for example, “Italian authorities said that” in one raid operation alone, “they had seized 700,000 counterfeit items worth €10 million as part of an investigation into the sale of counterfeit streetwear[.]”<sup>299</sup> A parallel raid in the principality of San Marino “resulted in the confiscation of approximately 120,000 counterfeit items[.]”<sup>300</sup> Many of these goods were undoubtedly intended for less-sophisticated markets where consumers could be convinced that the two companies—IBF and Supreme—were the same entity.<sup>301</sup>

While Supreme has had some victories against IBF—the police raids in Italy and San Marino being key examples—the majority of its legal work still remains to be accomplished. “Supreme’s legal counsel embarked on an international enforcement effort in 2016, leading to the initiation of legal battles against IBF and related entities before the San Marino Civil Court<sup>[302]</sup>, the Business Specialized Division of the Court of Milan<sup>[303]</sup>, and the European Union Intellectual Property Office<sup>[304]</sup>, among other bodies[.]” but “[m]any of these matters are still in the midst of the judicial

297 *Id.*

298 *Id.*

299 *Id.*

300 Julie Zerbo, *How a Quiet Trademark Scheme & Epidemic-Level Counterfeiting Led to a Global, \$1 Billion Fight for Supreme*, THE FASHION LAW (Dec. 12, 2018), <https://www.thefashionlaw.com/home/how-a-quiet-trademark-scheme-amp-epidemic-level-counterfeiting-led-to-a-global-fight-for-supreme> [<https://perma.cc/6J3N-CR46>].

301 Zerbo, *Foreign Trademarks, Legal Feuds*, *supra* note 284.

302 *Id.*

303 Cass. Pen., sez. 5, 15 novembre 2018, n. 51754, Milano 2018 (It.) (Adidas v. IBF case in Italy). *See also* Art. 2598 C.c. (Italian civil unfair competition statute) <https://www.brocardi.it/codice-civile/libro-quinto/titolo-x/capo-i/sezione-ii/art2598.html> [<https://perma.cc/6L4X-FFMS>]; Art. 473 C.p. (Italian criminal unfair competition statute) <https://www.brocardi.it/codice-penale/libro-secondo/titolo-vii/capo-ii/art473.html> [<https://perma.cc/JBQ6-5C8C>].

304 Case T-307/17, Adidas AG v. European Union Intellectual Property Office, 2019 E.C.R. I-427.

process[.]”<sup>305</sup> In recent decisions, the tide has turned in favor of IBF. In August 2018, the Italian court order blocking three websites associated with IBF was ended, and the websites were returned to IBF’s control[;]” similarly, in April 2018, the EUIPO issued a preliminary refusal to Supreme, claiming that its trademark was “descriptive, laudatory, and lacking in distinctiveness[.]”<sup>306</sup> IBF and Supreme continue to litigate these matters at the time of this Article’s publication.

In addition to the legal fight that IBF has put up against Supreme, it has relied upon “a move that has seen IBF effectively controlling the narrative surrounding its activities, and thereby painting a far prettier picture of the legality and the legitimacy of its efforts than might otherwise meet the eye.”<sup>307</sup> IBF affiliates have supplied the media with a phrase that “[n]early every mainstream media article devoted to Supreme v. IBF” has used: “legal” fakes.<sup>308</sup> Indeed, the phrase “has been used extensively and *exclusively* in connection with the activities of IBF, Trade Direct, and related entities.”<sup>309</sup> In controlling the narrative in this way, not only has IBF “essentially been able to dupe just about anyone” without a detailed understanding of trademark law, but “it has been able to put an entirely different—and far more complimentary—face on what would otherwise be characterized as counterfeiting and/or trademark and domain name squatting[.]”<sup>310</sup> When discussing the situation between the two brands and the logo’s similarity to works by artist Barbara Kruger,<sup>311</sup> IBF-friendly publications like *The*

---

<sup>305</sup> Zerbo, *Foreign Trademarks, Legal Feuds*, *supra* note 284.

<sup>306</sup> *Id.* Despite the EUIPO’s preliminary refusal of Supreme’s trademark, in May 2020 the company successfully registered its trademark with the Chinese Trademark Office for use on clothing and other branded accessories. See Evan Clark, *Supreme Secures Chinese Trademark*, WOMEN’S WEAR DAILY (May 5, 2020), <https://wwd.com/business-news/legal/supreme-trademark-china-european-union-james-jebbia-carlyle-1203626090/> [<https://perma.cc/MYE6-HFLF>]; Julie Zerbo, *Supreme Adds New Chinese Registration to its Arsenal Amid Crackdown on Counterfeits*, THE FASHION LAW (May 5, 2020), <https://www.thefashionlaw.com/supreme-adds-new-chinese-registration-to-its-arsenal-of-trademarks/> [<https://perma.cc/JRC3-Q67Y>].

<sup>307</sup> *Id.*

<sup>308</sup> *Id.*

<sup>309</sup> *Id.* (emphasis added).

<sup>310</sup> *Id.*

<sup>311</sup> For a discussion of the similarities and legal disputes between Supreme New York and Barbara Kruger, see Julie Zerbo, *From the Name to the Box Logo: The War Over Supreme*, THE FASHION LAW (Feb. 22, 2018), <https://www.thefashionlaw.com/home/from-supreme>.

*Streetwear Magazine* have noted that “SUPREME ITALIA [is] legitimately registered” with the Italian Trademark Office; IBF has similarly stated that “Supreme Italia does not sell ‘fakes,’” but rather, the company is “carrying out a completely different project from Supreme New York.”<sup>312</sup> Unfortunately, despite the international treaty obligations of many of IBF’s target countries under the Madrid Protocol that should prevent it,<sup>313</sup> IBF continues to profit from Supreme’s goodwill and has used a clever euphemism to dupe the public in the process.

## VII. Recommendations

As the legal dilemmas faced by Hermès, Burberry, Chanel, Louis Vuitton, adidas, Louboutin, and Supreme demonstrate, the international trademark system as governed by the Madrid Protocol lacks sufficient authority to enforce equal trademark protection for “well-known” marks within different nations’ legal systems. These cases all resulted in either the limitation or the cancellation of the registration of a “well-known” trademark’s protection within a specific jurisdiction with little regard for the trademark holders’ registration under the Madrid Protocol.

Nevertheless, these recent setbacks are not to say that the international trademark order is entirely without redemption. As the world economy becomes more globalized, consumers have become more aware of the value of authenticity in sourcing goods<sup>314</sup>—the very bedrock on which trademark law is premised. The tone of how some countries have addressed trademark issues, as well as intellectual property issues more broadly, has shifted as well. In China, for example, a significant reform to the national trademark law went into effect on November 1, 2019.<sup>315</sup> This law enacted three major changes in Chinese trademark law, namely: (1) prohibiting bad-faith trademark filings; (2) increasing legal obligations for trademark agencies; and (3) intensifying punishment for trademark

---

the-name-to-the-box-logo-the-war-over-supreme [<https://perma.cc/KUZ4-KDRQ>].

312 Zerbo, *Foreign Trademarks, Legal Feuds*, *supra* note 284.

313 See *infra* text accompanying note 318.

314 Zerbo, *71 Percent of American Gen-Zers*, *supra* note 253.

315 Zoey Zhang, *China’s New Trademark Law in Effect from November 1*, CHINA BRIEFING (Nov. 19, 2019), <https://www.china-briefing.com/news/chinas-new-trademark-law-effect-november-1-2019/> [<https://perma.cc/PH4R-8NH5>].

infringement.<sup>316</sup> Given the size of the Chinese economy and the market for luxury goods in China,<sup>317</sup> these new laws have the potential to improve issues of authenticity and to reduce trademark infringement in the fashion industry for a significant percentage of the global economy. That being said, legislation that is purely national in scope cannot cure a global problem. For that, international organizations, such as WIPO, and international treaties must be involved.

China, the United States, and all European Union member states are Madrid Protocol signatories,<sup>318</sup> and all of these states are WIPO members as well.<sup>319</sup> Nonetheless, all three national or regional legal systems have strayed from the “harmonized” trademark protections<sup>320</sup> that WIPO and the Madrid Protocol proposit to promote. This dilemma ultimately stems from the lack of international recourse in cases where a Madrid Protocol member’s legal system deviates from the international system with respect to the rights of a registered trademark holder. Two solutions, as outlined below, could help cure this deficiency: either (1) an

<sup>316</sup> *Id.* See also Zhonghua Renmin Gongheguo Shangbiao Fa (中华人民共和国商标法) [Trademark Law of the People’s Republic of China] (promulgated by the Standing Comm. Nat’l People’s Cong., Apr. 23, 2019, effective June 11, 2019), art. 4, 2019, FAGUI HUIBIAN [http://www.chinalaw.gov.cn/Department/content/2019-06/11/592\\_236648.html](http://www.chinalaw.gov.cn/Department/content/2019-06/11/592_236648.html) [<https://perma.cc/3GJT-83HX>].

<sup>317</sup> Zerbo, 71 Percent of American Gen-Zers, *supra* note 253 (“[A]s of 2018, Chinese Gen-Z consumers were spending an average of \$7,267 on authentic luxury goods per year.”).

<sup>318</sup> *Contracting Parties: Madrid Protocol*, WORLD INTELLECTUAL PROP. ORG. (Jan. 15, 2020), [https://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid\\_marks.pdf](https://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf) [<https://perma.cc/D9GD-59RH>] [hereinafter Madrid Parties List]. As of January 2020, 106 countries have acceded to the Madrid Protocol. *Id.* China acceded to the Madrid Protocol on September 1, 1995; the United States, August 2, 2003; the European Union, *en bloc*, acceded to the Madrid Protocol on July 1, 2004. *Id.*

<sup>319</sup> *Contracting Parties: WIPO Convention*, WORLD INTELLECTUAL PROP. ORG. (Jan. 15, 2020), [https://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty\\_id=1](https://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=1) [<https://perma.cc/J5PJ-YZPZ>] [hereinafter WIPO Parties List]. As of October 2018, 191 countries are members of WIPO; the only countries not party to the WIPO Convention are Kosovo, Micronesia, Nauru, Palau, Solomon Islands, and South Sudan, while Palestine has observer status. *Id.* China joined WIPO on June 3, 1980; the United States, as an original signatory to the WIPO Convention, has been a member since August 25, 1970; and all twenty-eight EU member-countries are members of WIPO. *Id.*

<sup>320</sup> See WIPO Convention, *supra* note 94, art. 4(i) (purpose of harmonizing legislation relating to intellectual property); see also Madrid Protocol, *supra* note 9, art. 2(1) (framework for registering and protecting marks in other nations).



alliance between WIPO and the World Trade Organization (“WTO”) to create a dispute settlement system or (2) the creation of a new dispute settlement system within WIPO itself.

*A. Option I: Cooperation with the World Trade Organization*

One way to strengthen international trademark protection would be for WIPO to collaborate with the WTO to intervene in cases where a trademark holder in one country suspects that their trademark rights are not being sufficiently accorded Madrid Protocol deference in another jurisdiction. At first blush, this sort of intervention appears to go beyond WIPO’s mandate solely to “promote the protection of intellectual property throughout the world through cooperation among States” and “to ensure administrative cooperation among the Unions[]” created by the Paris and Berne Conventions.<sup>321</sup> However, the enumerated powers the WIPO Convention recognizes encompass this sort of regulation in certain circumstances.<sup>322</sup> WIPO may “establish working relations and cooperate with other intergovernmental organizations” as approved by the Director General and the Coordination Committee.<sup>323</sup> It may also, through its Coordination Committee, “give advice to the organs of the Unions, the General Assembly, the Conference, and the Director General, on all administrative, financial and other matters of common interest,”<sup>324</sup> to be reported to the General Assembly by the Director General.<sup>325</sup>

Thus, it would be possible for WIPO to establish an international tribunal, in concert with and under the umbrella of the WTO, through which international trademark disputes could be addressed before an independent arbitrator or panel of judges. These judges or arbitrators could be appointed by WIPO, by the WTO, or by common consensus between the two organizations in a manner similar to that used by the WTO in their internal dispute settlement system.<sup>326</sup> “Resolving trade disputes is one of the core

---

321 WIPO Convention, *supra* note 94, art. 3.

322 *Id.* arts. 3, 8, 9, 13.

323 *Id.* art. 13(1).

324 *Id.* art. 8(3)(i).

325 *Id.* art. 9(4)(C).

326 *Trade Topics: Dispute Settlement*, WORLD TRADE ORG. (Oct. 10, 2018), [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm) [https://perma.cc/25EW-PQVT].

activities of the WTO[.]" and it "has one of the most active international dispute settlement mechanisms in the world."<sup>327</sup> Since 1995, the WTO's Dispute Settlement Mechanism ("DSM") has handled over 500 disputes and issued over 350 rulings on international trade disputes.<sup>328</sup> As international trademark recognition disputes are ultimately a matter of international trade, it would be feasible for the WTO and WIPO to integrate a trademark disputes adjudication system into this framework.

Additionally, this option would be easily implemented due to the WTO's compulsory jurisdiction in international trade disputes and due to the ability of states to be party to WTO proceedings.<sup>329</sup> Under the plain language of the Marrakesh Agreement Establishing the World Trade Organization ("Marrakesh Agreement"),<sup>330</sup> the WTO's DSM has compulsory and exclusive jurisdiction over trade disputes arising out of certain WTO-covered agreements. Article 23 of the Dispute Settlement Understanding (the procedural agreement that governs the DSM)<sup>331</sup> "provides for exclusive jurisdiction of all disputes arising under the WTO-covered agreements by the WTO dispute settlement mechanism."<sup>332</sup> As agreements on "multilateral trade relations[.]" the treaties comprising the Madrid Protocol would very likely be considered WTO-covered agreements that would be within the purview of the DSM.<sup>333</sup>

The rules governing the DSM are extremely specific as to when and how a party of any WTO-covered treaty may file a complaint with the DSM and state that "when [WTO] members seek the redress of a violation of obligations or other nullification or impairment of benefits under the covered agreements or an

---

<sup>327</sup> *Id.*

<sup>328</sup> *Id.*

<sup>329</sup> *Id.*

<sup>330</sup> Marrakesh Agreement Establishing the World Trade Organization, 1867 U.N.T.S. 4 (1995), [https://www.wto.org/english/docs\\_e/legal\\_e/04-wto\\_e.htm](https://www.wto.org/english/docs_e/legal_e/04-wto_e.htm) [<https://perma.cc/SL2N-WQF6>] [hereinafter Marrakesh Agreement].

<sup>331</sup> General Agreement on Tariffs and Trade: Multilateral Trade Negotiations Final Act Embodying the Results of the Uruguay Round of Trade Negotiations annex 2, Apr. 15, 1994, 33 I.L.M. 1125 (1994) [hereinafter DSU].

<sup>332</sup> Tim Graewert, *Conflicting Laws & Jurisdictions in the Dispute of Settlement Process of Regional Trade Agreements & the WTO*, 1 CONTEMP. ASIA ARB. J. 287, 293 (2008).

<sup>333</sup> Marrakesh Agreement, *supra* note 330, art. III(2).

impediment to the attainment of any objective of the covered agreements, they shall have recourse to, and abide by the rule of procedures of" the DSU.<sup>334</sup> Furthermore, "Article 23.2 prohibits WTO members to 'make a determination to the effect that a violation has occurred . . . except through recourse to dispute settlement in accordance with the rules and procedures of this Understanding.'"<sup>335</sup> Therefore, if members 'seek the redress of a violation' of a WTO-covered agreement, the WTO DSM is compulsory."<sup>336</sup>

Given the specialized inquiries that trademark law requires and given the extremely high demand for settlement through the DSM,<sup>337</sup> it might be more beneficial for WIPO and the WTO to collaborate in creating a trademark-specific tribunal. Indeed, to have a similar mandatory international tribunal for trademark and other intellectual property-related disputes would truly fulfill WIPO's mission to promote a more fully "harmonized" international trademark system by preventing inconsistent limitations on trademark rights.<sup>338</sup> Nevertheless, there are potential weaknesses to this option—notably, the WTO can, at times, have difficulty finding judges to appoint for the Appellate Body of the DSM (the body that reviews decisions by the lower level of the WTO's dispute settlement system) due to larger international and geopolitical disputes.<sup>339</sup> Despite these drawbacks, this option could be relatively easily implemented.<sup>340</sup>

Further complicating matters, the common law theory of *lis alibi*

334 DSU, *supra* note 331, art. 23.1.

335 Graewert, *supra* note 332, at 293 (quoting DSU, *supra* note 331, art. 23.2).

336 *Id.* at 294.

337 See *supra* text accompanying notes 327–28.

338 WIPO Convention, *supra* note 94, art. 4(i). For examples of such inconsistent results, see *supra* Part IV.

339 See, e.g., MATTEO FIORINI ET AL., WTO DISPUTE SETTLEMENT & THE APPELLATE BODY CRISIS: INSIDER PERCEPTIONS & MEMBERS' REVEALED PREFERENCES (2019), [https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/MT\\_WTO\\_Dispute\\_Settlement\\_and\\_the\\_Appellate\\_Body\\_Crisis\\_Survey.pdf](https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/MT_WTO_Dispute_Settlement_and_the_Appellate_Body_Crisis_Survey.pdf) [https://perma.cc/TD8Q-GED9] (analyzing member states' views of the WTO's appellate body). See also MATTEO FIORINI ET AL., WTO DISPUTE SETTLEMENT & THE APPELLATE BODY CRISIS: DETAILED SURVEY RESULTS (2019), [https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/MT\\_WTO\\_Dispute\\_Settlement\\_and\\_Appellate\\_Body\\_Crisis.pdf](https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/MT_WTO_Dispute_Settlement_and_Appellate_Body_Crisis.pdf) [https://perma.cc/HF4T-J7WN].

340 See *infra* Part VII(c).

*pendens* would preempt a particularly determined party from avoiding the potentially unfavorable decision of one court by restarting the litigation in an alternate venue.<sup>341</sup> “The rule on *lis alibi pendens* (litispence) provides that once a process has begun, no other parallel proceedings may be pursued.”<sup>342</sup> In addition to being a generally recognized rule that governs principles of judicial propriety,<sup>343</sup> the rule on *lis alibi pendens* “is a general principle of law in the sense of Article 38 of the ICJ Statute”<sup>344</sup> because of “[t]he widespread use and similarity of the concept . . . in the national procedural laws of States of all legal traditions[,] . . . its inclusion in a number of bi- and multiparty agreements,” and international tribunal mentions of the rule in past proceedings.<sup>345</sup> Indeed, legal scholars have concluded for over ninety years that when two tribunals face identical complaints—by the same party, against the same party, and with comity of claims, law, and relief sought<sup>346</sup>—“an international body should, as a matter of comity, decline to exercise jurisdiction if the case has already been brought before another body.”<sup>347</sup> A claim of *lis alibi pendens* can render the later-

---

<sup>341</sup> See Kyung Kwak & Gabrielle Marceau, *Overlaps & Conflicts of Jurisdiction between the World Trade Organization and Regional Trade Agreements*, 2003 CANADIAN YEARBOOK INT’L L. 83, 103 (2003) (“The object of the *lis alibi pendens* rule is to avoid a situation in which parallel proceedings, which involve the same parties and the same cause of action, simultaneously continue in two different states and with the possible consequence of irreconcilable judgments.”).

<sup>342</sup> *Id.*

<sup>343</sup> *Id.*

<sup>344</sup> Joost Pauwelyn & Luiz Eduardo Salles, *Forum Shopping Before International Tribunals: (Real) Concerns, (Im)Possible Solutions*, 42 CORNELL INT’L L. J. 77, 108 (2009). See Statute of the International Court of Justice art. 38, June 26, 1945, 33 U.N.T.S. 933 (describing the court’s function and bodies of law it will consult).

<sup>345</sup> August Reinisch, *The Use & Limits of Res Judicata and Lis Pendens as Procedural Tools to Avoid Conflicting Dispute Settlement Outcomes*, 3 L. & PRAC. INT’L CTS. & TRIBUNALS 37, 48–50 (2004).

<sup>346</sup> These requirements were outlined by the ICJ’s predecessor court, the PCIJ, in Case concerning certain German Interests in Polish Upper Silesia (Germany v. Poland). Preliminary Objections, 1925 P.C.I.J. (ser. A) No. 6, at 20, [http://www.worldcourts.com/pcij/eng/decisions/1925.08.25\\_silesia.htm](http://www.worldcourts.com/pcij/eng/decisions/1925.08.25_silesia.htm) [<https://perma.cc/W6V4-DVWN>].

<sup>347</sup> Giorgio Gaja, *Relationship of the ICJ with Other International Courts & Tribunals*, in THE STATUTE OF THE INTERNATIONAL COURT OF JUSTICE: A COMMENTARY 656 § C ¶ 18 n.37 (Andreas Zimmermann et al. eds., 3d ed. 2019). See also Georges Ténékidès, *L’exception de Litispence Devant les Organismes Internationaux*, 36 R.G.D.I.P. 502, 526 (1929).

in-time proceeding inadmissible, assuming that it can be shown to the tribunal that there exists “a situation in which parallel proceedings, which involve the same parties and the same cause of action, simultaneously continue . . . with the possible consequence of irreconcilable judgments.”<sup>348</sup> Accordingly, by requiring first recourse to a WTO-WIPO tribunal, the Madrid Protocol’s procedural requirements could preempt opportunistic forum-shopping by bad-faith international litigants.

*B. Option II: Broad-Jurisdiction WIPO Dispute Resolution*

Another method to alleviate this problem could be to amend the WIPO Convention to create a dispute settlement system internal to WIPO. WIPO already has a limited-scope Arbitration and Mediation Center, which is designed to address these sorts of adjudications.<sup>349</sup> At present, however, this center is limited in jurisdiction and can only address disputes in which the parties have a pre-existing mediation or arbitration agreement, generally “in the form of a mediation [or arbitration] clause in a contract or in the form of a separate contract[,]” which specifies that they will submit disputes to the WIPO Arbitration and Mediation Center for redress.<sup>350</sup> Such circumstances could arise, for example, when a trademark owner in the United States has a trademark-related dispute with its manufacturer in another country—Spain, for example—arising from their regular contractual relationship. Should the two parties have an arbitration clause in their contract specifying the WIPO Arbitration and Mediation Center as the venue for its dispute, then jurisdiction would be proper. This center is accordingly quite limited as to which cases it may hear.

Furthermore, the WIPO Arbitration and Mediation Center cannot address many of the problems that cases such as the Burberry, Louis Vuitton, and Louboutin cases pose, as the “adverse” parties in these cases are not only competitor companies who infringe upon or claim priority for a mark but also the country trademark offices reviewing applications and registrations and

---

<sup>348</sup> Kwak & Marceau, *supra* note 341, at 103.

<sup>349</sup> See *WIPO Arbitration and Mediation Center*, WORLD INTELLECTUAL PROP. ORG. (Oct. 10, 2018), <https://www.wipo.int/amc/en/center/background.html> [<https://perma.cc/7J3K-P446>].

<sup>350</sup> *WIPO Mediation Rules*, WORLD INTELLECTUAL PROP. ORG. (Oct. 10, 2018), <https://www.wipo.int/amc/en/mediation/rules/> [<https://perma.cc/H8X8-WDK2>].

therefore by extension the trademark laws of those countries.<sup>351</sup> Therefore, it would be difficult to bring such a dispute before the WIPO Arbitration and Mediation Center, let alone to ensure an equitable outcome from such an action. Likewise, while WIPO has a larger member base than the WTO,<sup>352</sup> it lacks both the history of successful broad-jurisdiction dispute resolution and the settlement infrastructure that the WTO possesses. To establish an entire dispute resolution system within WIPO would be a drawn-out process that would require: (1) a member state to submit an amendment proposal “communicated by the Director General to the Member States at least six months in advance of their consideration by the Conference[;]”<sup>353</sup> (2) a simple majority vote amongst the 191 member states to adopt the proposed amendment;<sup>354</sup> and (3) submission of “written notifications of acceptance” by three-quarters of the member states.<sup>355</sup> This high level of member participation could be a barrier to enacting such a system, as is discussed below.

### *C. Further Considerations*

There are challenges implicit in both potential solutions outlined above, as both options involve changes in the organizational structure and jurisdiction of WIPO. First and foremost among these obstacles is the propensity of members of an organization to resist changes to the organization’s base structure and purpose.<sup>356</sup> There are three key impediments to organizational change: unwillingness of its members, resource-based inability to adapt, and “the inability to perceive new things or a need for change.”<sup>357</sup> WIPO and the international community at large are just as susceptible to these

---

<sup>351</sup> See *supra* notes 127–86 and accompanying text.

<sup>352</sup> The WIPO has 191 members, as of October 2018. See WIPO Parties List *supra* note 318. The WTO currently has 164 members. *Members and Observers*, WORLD TRADE ORG. (Oct. 10, 2018), [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm) [<https://perma.cc/F286-ZHE9>].

<sup>353</sup> WIPO Convention, *supra* note 94, art. 17(1).

<sup>354</sup> *Id.* art. 17(2).

<sup>355</sup> *Id.* art. 17(3).

<sup>356</sup> See Göran Ahrne & Apostolis Papakostas, *Inertia and Innovation* 5 (Stockholm Ctr. for Organizational Research, Score Rapportserie 2001:5, 2001) (“Inertia means that organizations change slowly and unwillingly[,] and along tracks that are already laid out through the collective resources of the organization involved.”).

<sup>357</sup> *Id.* at 7.

obstacles as any other organization: the global trend among sectors as varied as corporations, sports associations, and religious governance is to create new organizations that address the shortcomings of old ones, rather than striving for change within the old.<sup>358</sup>

With regards to international organizations specifically, the third impediment to change—the inability to recognize the need for re-organization—can be especially salient.<sup>359</sup> Nevertheless, the financial interests of luxury brands such as Hermès, Burberry, Louis Vuitton, and Louboutin should be sufficient to raise awareness among WIPO members of the need for change that could motivate the creation of a joint WIPO-WTO tribunal or the reformation of WIPO's internal tribunal system. Furthermore, the first option outlined above requires a relatively small amount of effort from organization members to be enacted. In order for WIPO to create a cooperative dispute settlement system with the WTO, all that would be required is that the Coordination Committee vote in favor by simple majority<sup>360</sup> and that the Director General form an agreement with the WTO to proceed accordingly.<sup>361</sup> Given this lower bar for action, it is far more simple from an administrative point of view for WIPO to create a collaborative trademark dispute panel within the WTO's dispute settlement system.

Another major challenge to the solutions proposed above is the ability of states to opt-out of either such system, or to limit the degree to which such a system has jurisdiction over its domestic affairs. States are only bound by treaties to which they have given express consent by signature, exchange of instruments, ratification, acceptance, or approval.<sup>362</sup> Moreover, states may choose to only be bound by certain provisions of a treaty if in their ratification or accession “it is made clear to which provisions the consent relates.”<sup>363</sup> A state who has not ratified a treaty but has not indicated a desire to withdraw from the treaty is bound to “refrain from acts which would defeat the object and purpose of [that] treaty[.]”

---

<sup>358</sup> *Id.* at 14.

<sup>359</sup> *Id.*

<sup>360</sup> WIPO Convention, *supra* note 94, arts. 13(1), 8(5)(c).

<sup>361</sup> *Id.* art. 13(1).

<sup>362</sup> Vienna Convention on the Law of Treaties arts. 11–15, May 23, 1969, 1155 U.N.T.S. 331 [hereinafter Vienna Convention].

<sup>363</sup> *Id.* art. 17(2).

including acts that take place after a treaty has been signed but before it goes into effect.<sup>364</sup>

Accordingly, should WIPO members choose to create a system of dispute resolution in conjunction with the WTO, a member state could reasonably formulate a reservation to this new agreement or to the jurisdiction of such a system over its nationals.<sup>365</sup> Should WIPO decide to modify its internal dispute resolution system, a member could easily and legally denounce the amendments to the WIPO Convention itself, which effectively bars other member countries from forcing compliance with a new system.<sup>366</sup> Nevertheless, as WIPO has 191 members, any new system it creates would be so wide-reaching that a state's objection to it could be considered a bad faith violation of the doctrine of *pacta sunt servanda*.<sup>367</sup> Finally, the general principles of trademark protection that such a system purports to enforce—and which are already recognized in the WIPO Convention and the Madrid Protocol—would be so far-reaching that they could be considered to be principles of international custom, which are binding to all countries, signatories or otherwise.<sup>368</sup>

### VIII. Conclusion

In the past decade, luxury fashion companies have faced a series of adverse legal decisions that have limited the scope of their trademark rights in China, the European Union, and the United States. Hermès and Burberry have both faced issues with trademark squatting and purported abandonment in China, despite the Madrid Protocol's assurances of right of priority for marks<sup>369</sup> and of constructive international use through trademark registration.<sup>370</sup> Chanel lost trademark protection for its distinctive and famous double "C" logo (for certain classes of goods at least) under Chinese

---

<sup>364</sup> *Id.* art. 18.

<sup>365</sup> *Id.*

<sup>366</sup> *Id.* art. 19.

<sup>367</sup> *See id.* art. 26 ("Every treaty in force is binding upon the parties to it and must be performed by them in good faith.").

<sup>368</sup> Vienna Convention, *supra* note 362, art. 38 ("[A] rule set forth in a treaty [may become] binding upon a third State as a customary rule of international law.").

<sup>369</sup> Madrid Protocol, *supra* note 9, art. 4(2) ("Every international registration shall enjoy the right of priority.").

<sup>370</sup> *Id.* art. 4(1)(a).



trademark law. Louis Vuitton was unable to overcome a European claim that its mark was generic, despite 127 years of use, and adidas suffered a similar fate despite over 65 years of use. Louboutin was unable to protect its trademark red soles in the United States to the full extent its trademark claimed. Furthermore, the rise of gray market goods—neither outright counterfeits nor authorized products distributed with the consent of the companies whose trademarks are implicated—has complicated the narrative of how brands must seek to protect their trademarks internationally. Finally, trade dress infringing parties seeking to exploit less-sophisticated markets and the concept of “legal fakes” that has arisen as a euphemism for trademark squatting have flourished in an increasingly globalized fashion marketplace, sometimes in direct contravention of national and international law.

Despite the protections that international treaties such as the Paris Convention and the Madrid Protocol afford registered trademark-holders, the international trademark system currently lacks the proper enforcement mechanisms to ensure a harmonized and equal level of international protection for “well-known” trademarks and other trademark holders alike. Were WIPO to partner with the WTO to create an expansive trademark dispute settlement system, or were WIPO to expand its own arbitration system to encompass these types of disputes, “well-known” marks could be better protected from threats as varied as bad faith litigation, counterfeiting, and parallel importation in the future.